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PAPER - VI

WAGE AND EMPLOYMENT ADMINISTRATION

Madurai Kamaraj University
Madurai – 625 021

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Introduction

Dear Student,

The Syllabus and the lesson plan relating to the Paper "Wage and Employment Administration" are given below:

Syllabus

Wage and Employment Administration

Wage and its categories, theories and determinants of fixation -Job Evaluation -Methods of payment- Dearness allowance - Principles of its fixation - Consumer Price Index Numbers – Other allowances and Fringe Benefits - Machinery for Wage Fixation- Bonus and other incentive payments -Government Policies -Nature and scope of salary administration -profit sharing principles - Manpower Planning Concept, assessments, influencing factors and techniques - Personnel budgets -personnel selection and its methods -Job requirements and source of selection -Job reservation, induction and conditions of employment - Maintenance of employee records and personnel statistics -Standing Orders - Discipline and punishment -problems; legal and other procedures.

Books for Reference

ILO	-	Payments by Results
ILO	-	Wages -A Workers Education Manual
Bachelor	-	Wage and Salary Administration
G.K. Suri	-	Wage incentive -Theory & Practice
A.M. Sharma	-	Understanding Wage System
Labour Bureau	-	Working Class Consumer Price index Numbers in India
Employers Federation of India	-	Dearness Allowance
Employers Federation of India	-	Fringe Benefits in Indian Industry
Mandell	-	The Selection Process -Choosing the Right Man for the Right Job
N.K. Singh	-	Manpower Planning
Ruedrabasavaraj	-	Law and Procedure of Department Enquires
B.R. Ghaiye	-	Law and Procedure of Department Enquires
Indian Institute of Personnel Management	-	Personnel Management in India

MLM – II year

Wage and Employment Administration

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UNIT - I

INTRODUCTION

Definition and Meaning of Wages

Wages constitute a contract income, fixed or settled, as between employers. From a broader viewpoint, wages refer to that distributive share in the value produced by all economic activities that is allocated to payment for personal services'.

'Wages' mean all remuneration capable of being expressed in term of money, which would be payable to a person employed in respect of his employment or work done in such employment. It would however be payable if the terms of the contract of employment expressed or implied were fulfiled. It includes house rent allowance but does not include the value of

(a) any house-accommodation, supply of light, water, medical attendance.
(b) any other amenity or any service excluded by general or special order of the appropriate Government.
(c) any contribution paid by the employer to any pension fund or provident fund or under any scheme of social insurance.
(d) any travelling allowance or the value of any travelling concession ;
(e) any sum paid to the person employed to detray special expenses entailed on him by the nature of his employment ;
(f) any sum payable on discharge.

Nominal and Real Wages

A distinction is made between nominal and real wages. In order to find out real wages, which determine the standard of living, we have to take into account the purchasing power of money, subsidiary earning, which may be in the form of free housing, cheaper rations, etc., chances of additional income, payment of bonus, over-time payment, and also the conditions of work and employment, etc.

While nominal or money wages refer to monetary payment to employees for services rendered; real wages are money wages measured in terms of purchasing power. Real wages are what money wages will buy. They are calculated by dividing money wages by an index of cost of living. If prices drop, then real wages rise. If prices rise more rapidly then real wages fall. Apart from purchasing power of money a number of other variables like provisions of concessional food, housing and other amenities, hours of work and physical environment and security of employment have to be taken into consideration to have an estimate of real wages and standard of living of the workers.

Real wages refers to the 'net advantages' or benefits of a worker's remuneration. It refers, to the amount of necessaries, comforts and luxuries of life which the worker can command, in return for his services.

Real wages depends on 1) amount of money wage and 2) the price level.

$$\text{Real Wages} = \frac{\text{Money Wages}}{\text{Price Level}}$$

Another method of expressing real wages is:

$$\text{Real Wages} = \frac{\text{Money Wages}}{\text{Cost of Living Index}}$$

FACTORS DETERMINING REAL WAGE

(i) **Purchasing Power of Money:** The real value of money wage is its purchasing power. A high price level means a low real wage and vice versa.

Money wages may be high in a country, yet it may mean no real advantage if the price level is also higher. Three hundred rupees in village in India may provide a much more comfortable life than a similar amount in a town. One hundred rupees in 1950 had much greater purchasing power than they have today. Therefore, even an increase of money wage may leave real wages behind if the increase is not proportionate to a rise in the price level.

ii) **Additional Benefits:** In addition to payments, the workers get certain other benefits. For example, the hotel workers get free boarding and lodging, the warden enjoys rent-free quarters; the employees of the government bus transport corporation get free travelling passes. Real wages in such cases are high.

(iii) **Nature of Employment:** If the job is exhaustive and risky in nature, then the real wage will be low.

(iv) **Scope for Extra Earnings:** In jobs where there is possibility of extra earnings, the real wage is high.

(v) **Extra Work Without Extra Payments:** If an employee is required to do extra work without any compensation, his real wages are less to that extent.

(vi) **Regularly of Employment:** Regular or more secure employments may give lower money wages, but the real wages may be higher than irregular and insecure employments which give high money wages. If a person is in a temporary occupation, then his real wage will be low.

(vii) **Prospects of Promotion:** Real wage will be high where there is the prospect of promotion and higher wages in the future

(viii) **Social Prestige:** The real wage is high where there is high social prestige.

(ix) **Conditions of Work:** The length of working day, the type of management and the agreeableness and social prestige of the job are to be taken into consideration. Nominal wages may be low in those occupations which command social prestige and which are healthy, and where the hours of work are limited and the employers are sympathetic; but real wages are high.

In certain employment, there is the possibility of making extra earnings. A teacher can increase his income by taking private tuition. A waiter gets tips, in such cases, real wages are high.

Real wages alone determine the well-being of the labourer and his standard of living.

(x) **Trade Expenses:** Jobs requiring high trade expenses tend to reduce the real wage of worker e.g., a lawyer has to maintain his office, etc., on his own.

(xi) **Period and Cost of Training:** When a job needs a long period and high cost of training, it will tend to reduce one's real wages.

(xii) **Climate:** The real wages of persons working under unhealthy climates are comparatively poor.

NEED FOR A SEPARATE THEORY OF WAGES

The need for a separate theory of wages emerges from the following factors;

1) Labour is a human factor of production and, as such, wages earned by labour constitute the bulk of personal incomes in most communities and so cannot be treated on par with incomes like rent or interest.

2) Being a remuneration paid for the services of a living being, wages at any time should not fall below a minimum level and this materially affects the supply price structure of labour.

3) Again, there is no determinate supply function of labour as supply of labour is not based on particular costs of production in the short run and it is quite inelastic;

4) Labour is highly perishable and so cannot be stored. This reduces bargaining power of labour and it is liable for exploitation by being paid much less than what is due.

5) Above all, personal, social, political, judicial and human considerations have determining influence over the fixation of wages in the real world and this has introduced a challenging normative aspect and an institutional background to the theories of wages.

Theories of Wages

Theories of wages are nothing but a series of systematic attempts to explain what determines the level of wages. Wage theory has gone through three stages of development since the Middle Ages, as detailed below:

The 'Just wage' of the Middle Ages: The first was the medieval period of church domination, with its doctrine of the "Just price" which meant in reality a just wage which would a worker to maintain himself and his family according to their established position in the community.

Classical Theories of Wages

(a) Adam Smith's Theory

With the publication of Adam smith's 'Wealth of Nations', in 1776 the period of classical economists providing series of theories began. Smith formulated the labour theory of value. He stated that the real price of everything is the toil and trouble of acquiring it, what is bought with money or with goods purchased by labour, as what we acquire by the toil of our own body. That money or these goods indeed save us the toil". This theory of value formed the central point in the most explosive social doctrine of Karl Marx.

Regarding wages, Smith enquires into the question what is that determines the outcome of the bargain over the division of the product between two parties (masters and workmen) whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The masters being fewer in number can combine much more easy. In all such disputes the masters can hold out much longer. This would suggest that masters who enjoy better position keep wages down to the minimum level and suggest that in order to bring up a family the labour of the husband and wife together must, even in the lowest species of common labour be able to earn something more than what is precisely necessary for their own maintenance. Here, we have a physical subsistence theory.

Smith lists five principal circumstances which bring about differences in wages in some employments. These are: "(i) the wages of labour vary with the ease of hardship, the cleanliness or dirtiness, the honourableness or dishonourableness of the employment; (ii) the wages of labour vary with the easiness and cheapness, or the difficulty and expense of learning the business; (iii) the wages of labour in different occupations vary with the constancy or inconstancy of employment (lower wages in manufacturing as against higher rates in the building trades); (iv) the wages of labour vary according to the small or great trust which must be imposed in the workmen; and (v) the wages of labour in different employments vary according to the probability or improbability of success in them.

(b) Subsistence Theory of Ricardo

Although Ricardo is often quoted as an exponent of a subsistence theory he is to be regarded as an inheritor of Smith's views.

This theory states simply that the price of labour depended on the subsistence of labour relied for its invalidity on the Malthusian law of population. It means that if Mathus was correct, Ricardo was, right, and if Malthus was wrong. Ricardo's iron law was invalid. It implied that the supply of labour was infinitely elastic that this supply would always be increased indefinitely if the price offered for it rose above a certain level. If wages rose above what was necessary to maintain the supply of labour, then workers would have larger families and the labour supply would increase. With an increased labour supply, there would be more competition for the employment available, so that wages as a result would inevitably fall again.

(c) Standard of Living Theory

According to this theory the minimum should be sufficient not only to provide "merely a subsistence allowance in the sense of keeping the soul and body of worker together" but also to provide him with "those comforts and decencies, which are promotive of better habits, which give a chance for the development of a greater sense of self-respect and which be taken a higher regard for the place occupied by these workers in the scheme of citizenship".

The wage determination under the Standard of Living Theory is lightly flexible and a satisfactory basis cannot he arrived at easily. Rowntree, Booth, Bowley and others have attempted to place the theory under a quantitative analysis through the method of family budgets. Their studies have provided some criteria to measure the minimum necessary for maintaining wage earners at different levels of living. However, a satisfactory explanation cannot he arrived at, because the theory ignores the demand side of the issue.

(d) Wages Fund Theory of Mill

John Stuart Mill and Nassau William senior have offered explanations and emphasized, the demand side of the classical theory of wages. Stuart Mill emphasized that wages dependent upon the demand and supply of labour. It also depended upon the proportion between population and capital. Mill included only the labouring classes who work for live as population. By capital he meant only the circulating capital and not the whole of the capital.

The exponents of this theory explain that wages cannot be generally higher than the normal rate without utilising some of the funds that are necessary to purchase raw materials and other items of expenditure. Such a condition tends to drive capital out of an industry and thus, automatically reduces the amount available for wages

The theory has been particularly criticised by Thornton and Longe. It has been pointed out that it does not place sufficient emphasis on the tendency of entrepreneurs to balance labour costs against other costs. Secondly, it is wrong to think that wage fund is fixed. Thirdly, it is not correct to say that labour supply is fixed. When wages are high, workers appear who would otherwise remain idle. Fourthly, it does not tell about the sources of wage fund and the method of its estimation. Lastly, it assumes a degree of antagonism between labour and capital as it points out that wages can increase only at the cost of profits.

(e) Residual Claimant Theory of Walker.

The pure Wages Fund theory was followed by the Residual Claimant Theory of Francis A. Walker who argued that the amount of the wages fund was determined by the product of industry not the quantity of capital on hand. Wages were regarded as residue left over after other factors were paid.

This position of the workman as a residual claimant in the process of production was rejected as harsh and unfair. It was manifestly inaccurate in many commercial and industrial enterprises. The theory is basically deficient as it considers worker as a residual claimant. Further, the theory. is criticised on the ground that it ignores the influence of supply of labour.

Exploitation Theory

The Exploitation Theory of wages as propounded by Marx as an extended version of his theory of surplus value. Marx along with Adam Smith and Ricardo, holds the view that the value of a commodity is proportionate to the quantity of labour required to produce it. The capitalist treats labour power as a commodity. According to the law of value, the labourer's value must be equal to the quantity of labour required to produce the labour. But in the real world, the worker is working only part of the time for the production of his wages (or means of subsistence). For instance a worker can cover his wages by working for 6 hours; but actually he is forced to work for longer hours say 10 hours. Here the 6 hours work constitute the "necessary labour" the surplus value created with the surplus labour" (4 Hours) is appropriated by the capitalist. This appropriation has been made possible only through exploitation of labour.

Marx points out that this exploitation of labour is inherent in the capitalist system itself. Since labour power will necessarily produce more than what it consumes and the worker will be paid at the subsistence level, surplus labour and surplus value emerge. And this surplus value will be appropriated by the capitalists. As such, no one is responsible for the exploitation of labour except the wage system,

Whenever wages rise, the capitalists introduce better machinery, rationlisation and technical improvements which give rise to technological unemployment and the Industrial Reserve Army. These large number of workers compete for a fewer number of jobs and keep wages from rising.

The Marxian Theory successfully portrayed the underworld of the working class in the capitalist order. However, the rising trend in real wages successfully brought out by workers organisation themselves has foreclosed the main portents of the theory.

Model Questions

1. Define 'wage'. Distinguish between nominal wage and real wage. Explain the factors affecting real wage.
2. Discuss the Classical Theories of Wages.
3. What is the need for a separate theory of wage? Explain the views of Adam Smith, Ricardo and Marx on wages.
4. Examine the Subsistence Theory of Wages and point out its shortcomings.
5. What are the implications of the Wages Fund Theory? Are they Justifiable?
6. Is the Exploitation Theory of Wages valid under modern conditions.

Theories of Wages

(a) Marginal Productivity Theory

This theory can be traced back to J.B.Clark, Marshall and Hicks.

However, the earlier version of the Marginal Productivity Theory is presented by Hicks in his famous book 'Theory of wages', According to him, the labour market will be in equilibrium when two conditions are fulfilled:

The first condition is that "everyone should receive the same wage". If wages are not equal, then it will be advantageous to the employer who is playing a higher level of wages to dismiss his present workers and to replace them by others who are paid less: Such replacement will go on till all receive equal wages.

The second condition is that the wage paid must be equal to the value of the marginal product of the labour. The incidence of the Law of Diminishing Returns explains the proposition. According to this law, the marginal productivity will diminish with every increase in the quantity of labour employed. Additional labour adds less and less to production and at one stage the marginal productivity of labour just equals the wage. Any further employment of labour means only loss to the employer. So, the employer has to stop further employment of labour at the point where the wages just equal the marginal productivity of labour.

The number of men employed by a firm depends also on the methods of production it chooses. The method which costs the least will be chosen ultimately and the least cost combination of factor will be given by the condition that the marginal product of the factor are proportional to their prices. i.e.,

$$\frac{\text{Marginal Product of Factor A}}{\text{Price of Factor A}} = \frac{\text{Marginal Product of Factor B}}{\text{Price of Factor B}}$$

Thus, higher wage rates reduce employment in two ways: firstly, by raising production costs and product price and thereby reducing sales and employment; secondly, by encouraging the substitution of lower priced resources for labour. It is these two tendencies which underlie the Theory of Marginal Productivity as explained by the earlier authors.

The concept of marginal productivity can be explained in 4 ways :

(a) **Marginal Physical Product (MPP).** It is the net difference made in the total product by adding or substracting one unit of labour, the other factors remaining unchanged. Evidently MPP is measured in physical (real) terms.

(b) **Value of Marginal Product (VMP).** It is the MPP of labour multiplied by the price of the product.

(c) **Marginal Revenue Product (MRP).** It is the difference between the two successive total revenues caused by employing an additional unit of labour. It is the MPP of labour multiplied by MR.

(d) **Average Revenue Product (ARP).** IT is Total revenue divided by the total units of labour.

The following 2 Tables illustrate the interrelationships between these under diverse conditions in the product market:

Table 1.1

Marginal productivity under perfect competition in product Market

Units of Labour	Total Product	MPP	Price of Product Rs.	VMP Rs.	Total Revenue product Rs.	MRP Rs.	ARP Rs.
1	25	25	2	50	50	50	50
2	70	45	2	90	140	90	70
3	110	40	2	80	220	80	73
4	145	35	2	70	290	70	72
5	172	27	2	54	344	54	69
6	191	19	2	38	382	38	63
7	199	8	2	16	398	16	57
8	199	0	2	0	398	0	50

Table 1.2
Marginal Productivity under Imperfect Competition in Product Market

Units of Labour	Total Product	MPP	Price of Product Rs.	VMP Rs.	Total Revenue product Rs.	MRP Rs.	ARP Rs.
1	25	25	2.00	50.00	50.00	50.00	50
2	70	45	1.80	81.00	126.00	76.00	63
3	110	40	1.50	60.00	165.00	39.00	55
4	145	35	1.30	45.50	188.85	23.50	47
5	172	27	1.20	32.40	206.40	17.90	41
6	191	19	1.15	21.65	219.65	13.25	36
7	199	8	1.13	9.04	224.87	5.22	32
8	199	0	1.13	0.00	224.87	0.00	28

It is because of the incidence of the Law of Variable Proportions that the total output is increasing more than proportionately initially and less than proportionately later. When there is perfect competition in the product market the product price remains the same (Rs.2) for all quantities. But, when there imperfect competition in the product market the firm can sell a large quantity only at a lower price. This difference in the price structure in the two situations has the following effects:

(a) When there is perfect competition in the product market VMP = MRP This is so because Price = MR under perfect competition. But, when there is imperfect competition in the product market as MRP is less than price, MRP is also less than VMP.

(b) Further, when there is imperfect competition in the product market there exists a wide gap between MRP and ARP.

Labour is said to be exploited where it is not paid according to its marginal productivity. Pigou and Joan Robinson define exploitation of labour as the payment to labour which is less than its VMP. To quote Mrs. Robinson, "What is actually meant by exploitation is usually that wage is less than the marginal physical product of labour valued, at its selling price". In this definition, exploitation of labour cannot occur only when there is perfect competition in both the labour and product markets.

Speaking in relative terms, the Marginal Productivity Theory is a distinct improvement over other theories for it is not so rigid as some of the earlier theories. Yet it is also subjected to some criticisms:

1. The productivity of workers is also dependent on factors such as the quantity of capital and efficient management. Those factors are outside the conditions of workers,

2. According to Dobb, the demand for labour does not depend on productivity but on the willingness of the capitalists to save which depends on previous profits and previous wage bargains.

3. Productivity is also a function of wages. Low productivity may be the cause of low wages which may lower the standard of living and ultimately may tell upon the efficiency of labour.

4. According to Bohm-Bawerk and Taussig, wages must be a little less than the marginal product because wages are paid by the employer in advance and he will deduct some amount by way of interest. According to them, wages tend to equal the discounted marginal product of labour.

5. Arthur M. Rose contends that the Marginal Productivity Theory is no longer acceptable for it is unable to adsorb effectively the institutions of trade unionism and collective bargaining He remarks that 'conscious human decisions' have now substantially supplanted impersonal market forces' in wage determination

(b) Bargain Theory of Wages

The first link in the chain is the bargaining advantage of the capitalist employer over the individual applicant for work. On the score of inconvenience, waiting power, knowledge of the market and awareness of the economic strength of his opponent, the employer is in a better position than the workmen.

The ultimate conclusion is that workmen should combine and resist the downward pressure on wages with a united front of their own. Equality of bargaining power through collective and concerted efforts is the only practical way to offset the harsh effects of competition.

The Bargain Theory of wages has also been questioned both as to its accuracy and its desirability; that is, whether it is or should be the most important influence in wage, determination. The employers for instance, would be the first to attack the idea of the negatively inclined supply curve of labour on ground of their own experience. When they need job applicants, personnel managers do not advocate lowering the wage but raising it. Another criticism of the theory is the contention that collective bargaining is not efficient that it does not actually raise wages as rapidly or to high levels.

A more serious mistake of the theory consists of a series of objections to the end results: wage agreements between employers and their organised employees. The comparative bargaining strengths of the two parties do not assure either a just or economic settlement.

However, the most important weakness, of the theory is probably its opportunistic character. It is not a complete theory since it has no long-run postulates. The theory holds that wages are determined by the relative bargaining power of employers and employees.

The increasing importance of trade unions in the determination of wages stimulated interest in a Bargaining Theory of Wages. According to this theory the rates of wages are determined by the relative bargaining power of workers' unions and employees associations.

In 1920 Pigou offered a common sense explanation of such a theory when there is free competition among both the workers and employers, the rate of wages is determinate as a single definite rate which is settled by conditions of reciprocal demand. However, with the absence of such free competition and when wage rates are settled by bargaining between a trade union on the one side and an employers' association on the other, the rate of wage is no longer determinate at a single point. There is on the contrary "a range of indeterminateness."

The union will prefer a rate higher than the competitive rate while the employers will prefer a rate lower than the competitive rate. However, the union will not wish to go above a certain maximum rate because too high rates will result only in unemployment. Similarly, the employers will not wish to depress the wage below some minimum level because it will be very difficult to recruit workers at too low wages. These overall upper and lower limits according to Pigou refers to a "range of indeterminateness", neither party would find any wage rate lying outside this range to be acceptable.

In the 1950's Chamberlin further elaborated the concept of bargaining power and its determinants. He defines a union's bargaining as management's willingness to agree to the union's terms depends, in turn upon how costly disagreeing will be relative to how costly agreeing will be:

$$\text{Union Bargaining Power} = \frac{\text{Management's Costs of Disagreeing (to union terms)}}{\text{Management's Costs of Agreeing (to union terms)}}$$

In explaining the bargaining theory of wages, some authors have employ theory of Bilateral Monopoly and Game Theory as well. It is true that the bargaining theory had emphasised the role of institutional factors in wage determination, but in doing so, the relevance of economic factors can never be relegated.

(c) Marginal Discounted Product Theory of Taussig

Professor Taussig gave a modified version of the Marginal Productivity Theory, discussed above. Wages, according to him, represent the marginal discounted product of labour. He held the view that a labourer could not get full amount of the marginal product as production involved time and final product of labour could not be obtained immediately. In order to compensate himself or the risk an employer had to take in making advance to his employees. He had to deduct a certain percentage from the expected marginal product of labour. Taussig considered that such deduction was made at the current rate of interest. Thus, wages would equal the marginal product of labour minus the amount of discount.

The theory is based on the fact that output is in part due to machinery and equipment which, if not engaged in assisting him, would have helped to increase output of other workers. This theory is also not considered satisfactory as, in the first instance it is “a dim and abstract, remote from the problem of real life." Secondly, this theory also does not take into account supply side of labour in a realistic manner as it assumes it to be fixed. Finally, the theory is a version of the Residual Claimant Theory and is open to all defects pointed out in latter case.

(d) Kalecki's Theory of Wages

The Polish Economist Michael Kalecki, contended that wages a residual: the level of real wages depending on what was left out of the total product after capitalistic class had its cut. The theory thus, threw the whole weight of explanation upon demand; and in so far as it made wages depend on what was left over after profit and interest and extracted their share, it was nothing but statement of Adam Smith's 'Deduction Theory'. His other theory of determination of relation between profit and wages (distribution of net product) explains the share of wages in the total product as varying inversely with the degree of monopoly, which is virtually defined as the ratio of value of output to the wage cost of that output.

It is not clear whether collective bargaining by trade unions is included as an influence upon the share of wages, via its influence on the degree of monopoly, or whether on the contrary, any such influence is implicitly denied on the ground that however much trade union action may push up money wages, the degree of monopoly will always enable business entreprenurs to raise selling prices to an equivalent extent.

(e) Wage Theory of Keynes

The three essential ideas in the Keynesian wage Policy are

(i) a national wage policy,
(ii) a stable (rigid) money wage level in the short-run, and
(iii) a rising money wage level in the long run.

According to Keynes, a national wage policy might orginate in either of two ways: Supervision or cooperation would mean an 'administered' wage policy and the agency to administer it is the Central Government. A national wage policy may also be evolved through employer-employee co-operation. While the former is feasible only in peacetime, the latter is possible but, as Dunlop says, at the risk of jeopardising the stability of wages in the short run. Even with an administered programme the problem of a stable wage level in the short run has been regarded with general programme preservation of continuous full employment, A number of questions come to mind in respect of wage controls as suggested by Keynes, Firstly, the issue is to have a Government with changing productivities, costs and prices throughout the economy. Secondly, it is essential to develop mechanism to measure manhour productivity: Government, banking and other service industries. The problem is to have a satisfactory method of computing productivity, managerial and other persons engaged in indirect service. Thirdly, the question is to enforce mechanism to be used to discipline those who do not cooperate with such programme.

(f) Supply and Demand Theory of Wages

The Modern Theory of Wages applies to labour. The fundamental principle of determination of wages states that wages depend on the relation between demand for and supply of labour, subject to certain reservation necessitated by the peculiarities of labour. The demand for labour, like other factors of production, is a derived one. The demand price of labour, as in the case of Marginal Productivity Theory, is determined by its marginal productivity which depends not only on its own productivity relative to that of land and capital. In fact, it is not the demand for labour that matters but the elasticity of demand for labour which depends on the elasticity of demand for its product. The more elastic the demand for the product, the more elastic is the demand for labour if the percentage increase in the number of workers employed as the wage rate falls by 1%. This elasticity depends, among other factors, on the degree of substitution, between labour and other factor services. The cheaper and better the substitutes for labour the more elastic is the demand for labour.

The supply of labour means the number of workers which would offer themselves for employment at each possible wage rate. The relationship between wages and the quantity of labour is direct. This labour supply however, depends on a number of factors like the rate of population growth, and the sex distribution of population, the working hours, the normal period of education and training, labour laws regarding employment of women and child labour, the attitude of the society towards employment of women and child labour, the attitude of labour in general towards work and leisure and labour mobility.

The wage rate in an industry will be determined at a point where the demand for labour equals its supply. While a wage rate above equilibrium rate will induce more workers to offer themselves for employment and the firm would be induced to cut down employment. A fall in the wage level below such equilibrium would lead to an exodus of workers from the industry and the firm and in a bid to stop this would offer higher wage and the equilibrium level of wages would be restored.

Modern View:

The above theories of wage are explained in brief. It can be seen that a complete, exhaustive and a concrete theory of wages has not been so far formulated. Therefore, the formulation of wage policy in any country is an uphill task. In the modern age, the labourers are not considered as mere factor of production. The price/wages of these labourers cannot be found by the interaction of the forces of demand and supply. Today's industrial atmosphere has replaced the contract of employment into contract of partnership. In fixing wage in India the tribunals and wage boards have adopted the principles laid down by the fair wages committees in their reports. Norms have also been stated in fixing minimum wages.

Importance of Wage Problems in India

The fact cannot be denied that wages are the pivot around which most labour problems revolve. Wages are the main source of the family and the income from other sources, if any is strictly limited. Indirect receipts in the nature of social service and social security benefits are also limited in India. Hence, the wage is of significant importance to the worker. The welfare and efficiency of the wage-earner depend upon the amount of earnings received. A large number of population consists of workers and, therefore, the well-being of society is intimately connected with the well being of the worker. Wages and earnings serve as an indicator of the prosperity of that action of the population which is in paid employment. Herein lies the importance of the wage problem.

Now agricultural occupation has not remained so profitable due to heavy pressure of population on land and the industrial labour which was not stable so far, is becoming more and more permanent. The joint family system is breaking down rapidly and the workers are more or less, dependent on their own incomes. Hence, the problem of wages has become more complex.

Besides, the workers are generally ignorant and illiterate, and more often, unable to understand their own rights and duties. They are in a very weak bargaining position as compared to the employers. The organisation of the workers is still very weak. The result is that the workers are easily exploited and are paid very low wages. From the humanitarian point of view also the problem of wages, therefore, requires immediate solution. For the Government too, the wage problem is important because it is a measure of justice for all sections of the community. From point of view of employer also wages are important because they form the major components of his expenditure. The employer feels that wage bill is more amenable to his control and whenever he feels the necessity for economy adjustments he tries to adjust wage rates. The problem of wages, therefore, constitutes the major source of friction between the employers and the workers.

The importance of wage problem also lies in the fact that innumberable wage rates and unscientific differentials prevail in most of the factories and there is a lack of plan in fixing differentials in between different wage rates. These things have made the problem of standardisation of wages very difficult. Such differentials lead to the migration of workers from industry to industry or even from factory to factory. Sometimes, these differentials are the important sources of industrial unrest and disputes, as the workers in low paid industries demand high wages, which they find in other industries. The problem of fixing a minimum wage for the worker is also most essential at the present time when there is a tendency among the employers to exploit the workers. A number of issues, are thus involved in determining a right wage policy, e.g., the cost of living, size of the family, capacity of industry to pay, productivity of labour, etc. The problem has to be tackled not only from economic but social point of view also, as a means of reducing inequalities of income and wealth. Hence, the problem of wages is one of the most important and complex one and requires immediate solution.

Model Questions

1. Explain, in brief, the Neo-Classical Theories of Wages.
2. Explain the Modern Theory of Wages.
3. Discuss the Wage Theory of Keynes.
4. Write an essay on the importance of wage problems in India.
5. What is the special significance of the Marginal Productivity Theory?
6. How can the Bargaining Theory be called a commonsense theory?

UNIT - 2

WAGE CONCEPTS

The terms which have acquired currently in discussing wage problems since Independence or specifically since 1948 are; (i) the statutory minimum wage; (ii) the basis for basic minimum wage (iii) the minimum wage; (iv) the fair wage; (v) the living wage and (vi) the need based minimum wage. The first term owes its origin to the provisions of the Minimum Wages Act. 1948. The second term is used in awards and judicial pronouncements. The next set of three terms have been introduced in the Report of the Committee on Fair Wages and the last one is in the Resolution of the 15th Session the Indian Labour Conference in July 1957.

Minimum Wage:

The concept of minimum wage connotes different standards in different countries. A minimum wage must provide not merely for the bare subsistence of life but for the preservation of the efficiency of the worker. For this purpose the minimum wage must also provide for some measure of education, medical requirement and amenities. A very popular definition of a minimum wage is that it is one as which could meet the, "normal needs of the average employee as a human being, living is a civilized society. A minimum wage may thus be defined as one which may be sufficient to enable a worker to live in reasonable comfort having regard to all obligations to which an average worker would ordinarily be subject to. The principle of minimum wage has now been widely recognized and accepted in almost all the industrially developed countries of the world.

Desirability of Minimum Wage

The granting of minimum wage to the workers is one of the essential requirements of the country at present. The workers in India have been mostly unorganised and are easily exploited by the employers. Under a policy of free competition, workers do not stand any chance to improve their position as compared to the powerful capitalist, on account of the weak bargaining position. The marginal productivity of labour is always less than that of capital, and labour, therefore gets a lower reward. However, labour is a human factor and, from the humanitarian point of view he has to be protected. Hence, the problem of fixing a minimum wage for the worker, sufficient for maintaining himself according to his needs and not according to his efficiency, has come into existence in all countries. As far back as 1928, the International Labour Conference adopted a Draft Convention on Minimum Wages, requiring the member countries to create or maintain a machinery, whereby minimum rates of wages can be fixed for workers, employed in certain parts of trade in which no arrangements exist for the effective regulation of wages by collective agreements or by otherwise, and where wages are exceptionally low. The Government of India, ratified this Convention in 1955.

Importance of Minimum Wages:

The fixation of minimum wage is of great significance for the industrial workers as it vitally affects the industrial life and the health and the morale of the workers. Sweating of labour is now considered as unjust and public opinion is fairly enlightened today to prevent social wrongs. Then it is necessary to provide a sufficient living wage to the worker an indispensable requirement for the maintenance of industrial peace is to guarantee the working class a minimum wage. Further, a worker must be given his rightful share in the fruits of the industry on account of his low bargaining capacity. Moreover, if a worker is provided with a suitable wage, his efficiency will be improved which would mean increased production.

So far as India is concerned, minimum wage legislation with a proper machinery to adjust wages to changing prices is an effective method of improving the conditions of the workers. There is no doubt, that the existing level of wages in the country are not enough to meet the requirements of physical existence and the problem is to provide them which may assure them a proper nutritional standard and give them a standard worth living. Besides, trade unionism in our country is weak and incapable of meeting the mighty challenge of the employers. Due to lack of organization and weak bargaining capacity, workers throughout the country and in almost all the industries have been ill paid. The fixation of minimum wages prevents exploitation of the workers and would secure for them wages according to their requirements.

Object of a Minimum Wage

(a) To prevent 'sweating' in industry or, in other words, to raise the wages in industries where they are extremely low and inadequate:

(b) To prevent exploitation of workers and to secure a wage according to the value of the work done, corresponding to the productive capacity of the workers, and

(c) To keep the workers contended with the guarantee of a wage rate which may enable them to meet their minimum requirements conveniently.

On the whole we can say that the object of minimum wage rate should be to ensure for the workers a living wage which may be just and fair.

Effects of Minimum Wage

The fixation of a minimum wage aims at providing a bottom limit below which wage may not be paid to anyone and it ensures to prepare the ground for the introduction of an integrated structure of wages resting on the pivot of national minimum wage. What should be the basic for a minimum wage? The wage should be such that the worker and his family are provided with a reasonable standard of civilized life. In the pre-Second World War period, Dr. Aykrod calculated that necessaries of life alone would cost about Rs.20 to 25 per head. On this basis he made a rough calculation of the minimum wage. In 1st January 1960 the Tripartite Labour Conference recommended Rs. 110 per month as eventual minimum wage for industrial labour in India. With a steep rise in prices since 1973, this national minimum wage will be much higher.

An enforcement of a minimum wage in all industries would increase the labourer's share of the total national output and decrease profit accruing to entrepreneurs. This would naturally bring about a redistribution of demand. The working class getting higher wages, would like to buy more consumption goods and as the propensity of the workers to consume is significantly high they will be further aggravated.

Minimum Wage Act of 1948

Due to efforts of Dr. B.R. Ambedkar, the then Labour Member a Minimum Wage Act was passed in 1948. The aim of the Act is to fix minimum wages in certain employments wherein sweated labour is mostly present or where there is big chance of exploitation of labour. The main provisions of the Act may be mentioned as follows :

The Act empowers the Central or the State Governments, as the case may be to fix within a specified period, minimum rates of wages payable to employees, including clerks working in certain scheduled employment. Minimum rates of wages need not be fixed in respect of any employment in a State, it employs less than 1,000 employees.

Scope and Coverage

The Act extends to the whole of India. It empowers the Central and State Governments to fix minimum rates of wages for different employments listed in a schedule of the Act. Originally this schedule included thirteen employments, but provision exists that the State Government can add more number of employments to the list. According to the provisions of the Act, the minimum rates of wages are required to be revised within a period of five years.

Obligations Imposed by the Act on the Employers

It is obligatory under this Act, or every employer to (i) pay to every employee engaged in a scheduled employment under him the minimum rates of wages as fixed by the government under the Act without any deductions except as may be authorised ; (ii) observe all directions in regard to the mode of payment overtime rates, etc., as prescribed by the appropriate Government; (iii) maintain registers and records as required by the Government showing particulars of employees, work performed by them, wages paid to them, and receipt given by them; and (iv) issue wages books or slips to "employees in respect of minimum rates of wages if required by the Government and authentic entries in such wage books, or wage slips.

Machinery for Implementation

The Central Government is responsible for enforcing this Act in relation to any scheduled employment carried on. The State Governments are responsible for the enforcement of the Act in the employments falling within their purview. Accordingly, the officers of the State Labour Departments are looking after the work in addition to the enforcement of other labour laws. There are no separate inspectors to inspect compliance of this law.

The following are the main provisions of the Minimum Wages Act:

(i) It provides for fixing minimum rates of wages regulating the conditions of work in the Scheduled employments which include 14 categories listed under Part I and Part II Schedules tagged with the Act. Minimum wages are not to be fixed in respect of any industry in which there are less than 1,000 employees in the whole State. (It should be noted here that under the 1957 amendment to the Act of 1948. This limiting condition has been substantially relaxed).

(ii) The Act provides for the fixation of (a) minimum time-rate, (b) a minimum piece rate (c) a guaranteed time-rate and (d) an overtime-rate appropriate to different occupations and different classes of workers. A minimum wage rate is to consist (i) a basic rate of wage and a cost of living allowance, or (ii) a basic rate with or without a cost of living allowance and the cash value of the concessions in respect of supplies of essential commodities at nominal rates. The Act lays down that wages should be paid in cash, although it empowers the appropriate governments for the payment of minimum wages, wholly or partly in kind.

(iii) The appropriate governments are empowered to appoint Committees to hold enquiries and advise in fixing the rates of minimum wages. Advisory Committees are to be appointed for co-ordination work and for subsequent revision of wage rates. A Central Advisory Board is to be established for advising the Central and State Governments and for integrating the work of the State Advisory Boards.

Minimum Wages have since been fixed by the State Government for employments in Part 1 of the Schedule to the 1948 Act. (Part 1 of the Schedule includes 12 categories of employment of which the most important are carpet making, rice and flour milling, tobacco manufacturing, plantations, lace manufacturing, tanneries and public motor transport). As regards Part II of the Schedule, relating to employment in agriculture, minimum wages have been fixed in almost all the States and Union Territories. State governments of Maharashtra, Gujarat, Punjab, Mysore, Orissa, W. Bnegal, Delhi, Madya Pradesh and Kerala have extended the application of the Act to a few other employments besides those mentioned in Parts of the Schedule employments (included under Parts I and II of the Schedule) A Central Advisory Board and competent Advisory Authorities in the States were also appointed. A new amendment to the Minimum Wages Act of 1948 was passed in 1961. The Minimum Wages (Amendment) Act 1961 seeks to do away with the time limit for initial fixation of the minimum rate of wage.

The Minimum Wages Act of 1948 excluded many regulated and unregulated industries where "sweating" is very common and thus the scope of the Act becomes rather limited. Fortunately, some of the State governments were bold enough to extend minimum wages to industries other than those listed in the Act. The Act avoided the problem of an accurate definition of a minimum wage.

The real problem however, is that in most of the States, there is no effective machine for adequately enforcing the minimum wages. Incidentally, the eighth meeting of the Minimum Wages (Central) Advisory Board recommended that there should be a Minimum Wage Authority in each State and Centre with the responsibility of carrying out the obligations prescribed under the Minimum Wages Act.

Difficulties In Enforcing Minimum Wages:

The question of minimum wages is a very difficult one. Conditions differ from place to place, industry to industry and time to time as well as from worker to worker and from sex to sex. Moreover, the consideration of a minimum wage for the workers raises certain questions at the very outset which are of great significance

The U.P. Labour Enquiry Committee, however, examined tour standards of living viz., poverty level, minimum subsistence level, subsistence plus level and comfort level. The poverty level refers to a standard unable to provide even minimum necessities for the maintenance of even physical efficiency. The minimum subsistence level implies that the total income is sufficient merely for the maintenance of physical efficiency and any portion of it cannot be absorbed by other expenditure either useful or wasteful. The subsistence plus level means that the income is sufficient not only for physiological existence but also for some elementary social necessities. A comfort level assumes that the standard provides comfortable living to the worker. It may imply a decently furnished house, availability of adequate fund for amusement, higher education or children, costly medicines, rich diet, etc. The U.P. Labour Enquiry Committee took subsistence plus level as the determination of a minimum wage.

So far as the size of the family of a worker is concerned, his wife and three minor children may be taken to represent a family while fixing the minimum wages for the workers it should be noted that a reasonable standard of civilized life is to be provided not only for the worker but for his family also.

The next question was as how to estimate the minimum wage rate for a worker. A study of the International Labour Office established two methods for estimating a minimum wage. One is by way of norms elaborated by physiologists, hygienists, housing specialists and others and the other is the method of "setting up standard budgets for population groups at different levels of income". However, both the methods combined together have been found to be of great help in the determination of a minimum wage.

The most difficult problem seem to be the machinery to enforce minimum wages. The main principles regarding the fixation of minimum wages should be laid down by the Central Government and the details may be filled in by the State Governments according to local conditions.

Another difficulty determining the cost of living with reference to the price for fixing a minimum wage. For this purpose, cost of living indices have to be prepared from time to time and the minimum wages have to be adjusted accordingly.

Need -Based Minimum Wage

At the 15th Session of the Indian Labour Conference in July 1957, had laid down that the minimum wage should be need-based and should ensure the minimum human needs of the industrial worker. The following norms were accepted for all wage fixing authorities including minimum wage committees, wage boards, adjudicators. (i) In calculating the minimum wage, the standard working class family should be taken comprising of three consumption units for one earner, the earning of women, children and adolescents being disregarded. (ii) Minimum food requirements should be calculated on the basis of a net intake, of calories as recommended by Dr. Aykroyd for an average Indian adult of moderate activity. Clothing requirements should be estimated on the basis of a per capita consumption of 18 yards per annum, which would be given for the average workers family of four a total of 72 yards (iv) in respect of housing, the rent corresponding to the minimum area provides for under Government Industrial Housing Scheme should be taken into consideration in fixing the minimum wage. (v) Fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of the total minimum wage. The Resolution further laid down that wherever the minimum wage fixed was below the norms recommended above, it would be incumbent on the authorities concerned to justify the circumstances which prevented them from adherence to the said norms. The Resolution, thus tried to give a concreteness to the whole concept of minimum wage. The Wage Boards keep the norms laid down in the Resolution in view while making their recommendations.

Hence, there is a need for periodic review of wage rates to prevent sweating and to eliminate areas of depressed and distress wages To be exact the National Commission on Labour had recommended that "the provision made in the Minimum Wages Act, 1948, for revision should be revised, should be amended making it obligatory on the appropriate Government: to revise the Minimum Wages prescribed under the provisions of the Act atleast once in every three years."

Trade Unionists Views

The trade unionists and employees also expressed satisfaction over this enactment but showed doubts as to the effectiveness of the Act in the absence of proper implementation. They pointed out that the minimum wages fixed were low if viewed in the context of rise in prices. Therefore, a comparative wage level between the regular workers and those covered under the Act should be maintained.

The passing of the Minimum Wages Act, 1948, is to be regarded as a real landmark in the history of labour legislation. It recognised that wages cannot be left to be determined entirely by market forces. The coverage of the Act had expanded in the States. But, inspections had not improved correspondingly. Submission of returns under the Act had also dwindled and it was the only potential source of getting statistical information about its implementation. A significant number of units were left uninspected every year. Thus, it implies that shortage of staff and the absence of a separate wing in the Labour Department to look after the enforcement of this enactment. A very few complaints could reach to the settlement machinery and there was lack of contiguity between it and the workers at the point level.

The awareness of the Act among workers was very poor and they were not even aware of the wage rates fixed from time to time. Delays were also pointed out in revising the minimum wages in different scheduled employments. Committees appointed for the purpose of recommending revision of wage rates submitted there reports after a long time, thus defeating the very purpose of their appointment.

Mere statutory fixation of minimum wages should be regarded as a last resort. All efforts must be directed at encouraging the parties to arrive at mutual settlements through collective bargaining. The Act is primarily meant for the unorganized sector. Therefore, wage agreements should replace the statutory wage fixation in those industries / employments where strong trade unionism prevails. In order to have correct information about the coverage and compliance of the Act, registration of establishments employing 10 or more persons in scheduled industries should be made compulsory while amending the Act. A standing committee at the State level be constituted. To facilitate the task of Standing Committee and In order to provide timely relief to the workers, necessary data should be made readily available to the committee and it should be empowered to submit interim reports.

Minimum Wage for Agricultural Workers; Its Limitations

Part II to the Schedule of the Minimum Wages Act covers agricultural workers but the problem of fixing minimum wages for agricultural workers is even more difficult than fixing minimum wages for the factory workers. There is very little statistical information regarding agricultural wages, in different parts of the country. Besides, fixing the hours of normal working day in agricultural operation is not an easy task. Agricultural labour is seasonally employed and usually the same worker performs different tasks at different stages of agricultural operations. Further, most of the wages are paid in kind and it is difficult to assess their value in cash. The agriculturalists in India neither have the knowledge or the inclination to keep registers and records, which would be necessary for administration of the Act. An All India Agricultural Labour Enquiry was therefore undertaken in 1950-51 and a Second All India Agricultural Labour Enquiry was completed in August 1956-57.

Rates of minimum wages for Agricultural workers have been fixed in nearly all the States though in most of them only specified areas have been covered. Minimum wages have also been fixed in Central Government agricultural farms and military farms. In U.P. the minimum wages once fixed, will remain the same for long periods in many employments, though the Act provides that, wage rates once fixed should be reviewed at intervals not exceeding five years. The National Commission on Labour found that in several cases the rates had not been revised even once after they were initially fixed. Viewed from the point of view of price rises, this position seems to be unsatisfactory. It was, therefore, quite natural that often the prevailing rates of wages were distinctly higher than the minimum fixed. and in a number of cases; the workers did not even care to know the minimum under the law.

The National Commission on Labour therefore, recommended that the provision made in the Minimum Wages Act, 1948 revision should be amended making it obligatory on the appropriate Govt.to revise the minimum wages prescribed under the provisions of the Act atleast once in every three years. If as the result of an adverse price situation wage rates require adjustment, within three years the local authority should made such adjustment (Three members of the Commission felt that the statutory minimum wage should be linked to the appropriate Consumer Price Index Number).The Commission further recommended that provision should be made in the Act for periodic revision of the schedules to the Act so that employment or employments which cease to employ sweated labour are added .to the schedule. To widen the coverage of the Act, the Commission recommended that the Act should be suitably amended so as to enable the State Government to reduce the employment limit for fixing a minimum wage in a particular employment.

In the States where the Minimum Wages Act is being implemented, the machinery for fixation and enforcement of minimum wages was not uniform. It was understood that each State has its own pattern. The experience of the National Commission has been that it has remained a dead letter, in every State. Minimum wages in agriculture have not been revised over long periods for either the agricultural season as a whole or for different operations. Almost everywhere the actual wages rule higher than the minimum during the peak season and tend to fall in slack seasons. The machinery for enforcement is much too inadequate to cope with the task of effective implementation. Other difficulties in implementation arise mainly from poverty and illiteracy of agricultural labour and from such structure constraints as the scattered nature of agricultural labour, casual nature of employment and unorganized character of agricultural labour. Awareness of the existence of this legislation and of the protection, it can offer wanting among large sections when agriculture has become prosperous in certain areas that labour has acquired consciousness of its rights. In these the ruling rates are so high that enforcement of the statutory minimum becomes meaningless. The real difficulty is in regions away from urban or developmental influence and there are several of these in every State.

Feasibility of National Minimum Wage in India

The debate is on in India as to whether an uniform, national minimum wage should prevail everywhere or different minimum wages for different regions and industries should be formulated. Through a national minimal wage the government's expert to provide a minimum standard to living to every worker. The merits of the uniform minimum wage fixation are that unnecessary wage differentials would be eliminated, it would not impose added burden on the efficient units and a simpler and smaller machinery for regulation of wages would only be needed. But, while considering that a worker should get a fair wage and that he should receive his due share in the establishment of his working, the different minimum wages concept becomes prominent. Different minimum wages are fixed in various industries and regions because allowance has to be made for the differences in the cost of living in various regions of the country and for the skill differentials among the workers.

Several State Governments and some Government Departments have been of the view that a 'national minimum wage' could be an alluring concept but difficulties in giving shape to it should not ignored. They feel that a start should be made "fixing regional minimum wages. Workers organizations on the other hand, have suggested a national minimum below which no employer should be allowed to hire labour. Some employers, however, feel that a national minimum for sweated industries may be fixed, but unnecessary for others.

The advocates of a national minimum wage claim that it would have more extensive coverage and would make implementation easier and effective. A national approach would also enable minimum wage policy to be easily correlated with the general development policies and rationalisation of the wage structure itself. The National Commission apprehended that the fixing of a national minimum with a necessarily wider coverage may bring in its train a number of difficulties. A uniform national minimum wage will be untenable owing to the vastness of the country and wide differences in the levels of development in industries and regions. Lack of co-ordination attributed to a sectorial system is also not such as may not be tackled. A greater measure of co-ordination can be achieved through Minimum Wage Advisory Committees at the Centre and in the States. A national minimum wage in the sense of a uniform monetary remuneration for the country as a whole is, therefore, neither feasible nor desirable. If one is fixed, the dangers are that there will, be areas which will not afford the minimum if the minimum is worked out some what optimistically and its calculations are allowed to be influenced by what a poorer region or industry can pay, the national minimum will not be worth enforcing.

Wage Regulation Under Adjudication

The adjudication machinery in the country is set up for the settlement of industrial disputes and it regulates wages in the course of the settlement of disputes to them between the managements and their employees. The purpose of adjudication machinery is thus the settlement of disputes and not fixing the wages of workers, and therefore, it is 'not likely to be an efficient machinery for wage regulation.

As an industrial dispute is likely to arise when the workers are organized, the adjuration machinery cannot be of much use of regulating wages of workers in the unorganized sector or in small establishments where only a few persons are employed. Apart from this, a great diversity the awards of the adjudication is likely to arise unless effective steps are taken to ensure uniformity. The State may lay down the general principle on the basis of which the adjudicators may be required to fix wages. Since the decision of the adjudicator is enforced by the State, he is less dependent on the goodwill of the parties and he may apply the general principles which are not laid down. There will be a tendency to adhere to the precedents.

An analysis of industrial awards in India by the Labour Bureau reveals that most of the adjudicators have accepted the criteria laid down by the Committee on Fair Wages in regard to the prevailing wage rate, size of the family and number of earners in the family and wages of woman workers in the fixation of minimum basic wages. However, in most of the cases, the criterion of capacity to pay has influenced the decision of the adjudicators only indirectly. Other factors, for example, productivity of workers and level of the national income, have also not been generally discussed by the tribunals. In most of the cases the tribunals fixed the wages for unskilled workers only and left for the management and the workers to decide the wages of semi-skilled workers. Important exceptions are found in all these cases, but the above mentioned tendencies are apparent.

Living Wage

The living wage, according to the Committee on Fair wages, represented the highest level of the wage and naturally it would include all amenities which in a modern civilized society was entitled to except when the economy of the country was sufficiently advanced and the employer was able to meet the expanding aspirations of his workers. But, the Committee felt that when such a wage is to be determined, the considerations of national income and capacity to pay of the industry concerned, has to be taken into account and the Committee was of the opinion that, although living wage standard should be made the ultimate goal, it is generally recognised that the present level of national income does not permit the payment of a living wage on standards prevalent in more advanced countries.

The goal of a living wage remains to be a mere goal at a point of time since the changing conditions and attainment of higher general standards of living may shift the goal of living wage further at higher level and thus 'the living wage may be our goal, a guiding state and not destination itself. The Committee on Fair Wages sets the living wage standard as the upper limit of wage fixation the lower limit being the minimum wage.

Fair Wage

With a view to bring about improved relations between labour and management in modern times, an effort has been made that labour get a fair deal at the hands of owners and managers of industries. The Industrial Conference in 1947 passed a resolution known as the Industrial Truce Resolution. The Resolution provided for the payment of fair wages to labour. To implement this part of the Resolution, the Government appointed a Fair Wages Committee in 1948 to determine the principles on which fair wages should be based and to suggest the lines on which those principles should be applied. The Report of the Committee was published in 1949 and on the basis of its recommendations the Government of India prepared a Bill known Wages Bill, which was introduced in the Parliament in August, 1956.

It is, however, very difficult to explain precisely what a fair wage means. Still an idea about the concept may be formed from the various definitions given for it. According to the Encyclopedia of Social Sciences, fair wages are equal to skill, difficulty or unpleasantness. Fair wages, has also been defined by Marshall and Pigou. Marshall wrote that, 'In any given industry, wages are fixed relatively to wages in industry. In general, if allowance being made for differences in the steadiness of the demand for labour, they are about on a level with the payment made for task in other trades which are of equal difficulty and disagreeableness, which require equal natural abilities and a equally expensive training".

In India, however, despite a rapid expansion during recent years, the Trade Union Movement is not so strong as to influence the determination of the wages of the workers. The determination and enforcement of fair wages in the country, has to be entrusted with some State machinery. When the State has to fix the fair wages, the basic principles for wage fixation must be determined. The Fair Wages Committee appointed by the Government of India, drew a distinction between a minimum and a living wage and observed that the minimum wage is less than the living wage, with regard to fair wage, the Committee recommended that it should be above the minimum wage and below the living wage. The limit of the fair wage must obviously be the minimum wage, the upper limit should equally be set by what may broadly be called the capacity of the industry to pay. Between these two limits, the actual wages should depend on consideration of such factors as (a) the productivity of labour, (b) the prevailing rates of wages in the same or neighbouring localities, (c) the level of the national income and its distribution and (d) the place of the industry in the economy of the country.

Regarding the fixation of a fair wage, the Committee laid down the more important point that 'where a benefit statutory or otherwise, goes directly to reduce the expense of a worker on items of expenditure which are taken into account for the education of a fair wage, it must necessarily be taken into account in fixing the actual fair wages payable'.

As regards the size of the family of the workers for whom .a fair wage has to be fixed, the Committee considered a family of three consumption units in accordance with the result of the family budget estimates. The Committee further recommended that fair wages should be fixed on industry-cum-region basis for those industries only for which the fixing of fair wages is considered necessary by appropriate Governments and for employees upto the supervisory level and not above that.

It may be noted that "Wages" are not merely elements of cost of production but they constitute an important source for the demand for goods and will improve the efficiency of the worker and these will ensure efficiency of production and employment. A fair wage on the basis of the standard of living will automatically produce efficiency in production.

The Fair Wages Committee also recommended that the fair wage should be related with productivity of labour. In India, since the existing level of wages is unable to maintain the workers on subsistence plus standard, it is essential that the workers must be first assured a living wage and only after this minimum has been done, the wages should be related to productivity. The Committee though in view of unduly low wages prevailing even in the organised industries in the country, it laid down that the wage fixing machinery should therefore, make due allowance for any depreciation of wages caused by unequal bargaining.

With regard to the machinery to fair wages, the committee favoured the setting up of Wages Boards. It recommended that there should be a State Board for each State, composed of independent members and representatives of employees in equal numbers. In addition to State Board, there should be a

Regional Board for each of the industry taken up for wage regulation. Finally, there should be a Central Appeallate Board to which appeals may be preferred for the decision of the wage Boards.

As stated earlier, on the recommendations of the committee fair wages, a bill was introduced in the Parliament In August 1950 known as Fair Wages Bill. It aimed at fixing fair wages for worker employed in the first instance, in factories and mines. It contained various other useful provisions also. But, the bill now stands lapsed.

However, the concepts of minimum, fair and living wage should not be treated as water-tight compartments. 'While the wage level in the country in its higher stages of development may be systematic to the living wage, the minimum wages fixed at an intermediate level of development may correspond with the fair wage level. What level of wages, actually prevails in a country would depend largely on the level of economic development. Yet, the task of wage regulating and wage fixing machinery can go a long way to evolve a wage structure which is fair and at the same time commensurate with the level of economic activity in the country.

Compulsory Adjudication

The Fair Wage Committee enunciated principles which, though set out only on broad terms and without precise yardsticks, found acceptance at the hands of the tribunals and courts including the Supreme Court. Even after wage boards began to function for various industries, adjudication of wage disputes in those industries did not cease altogether. In this period, the adjudication machinery was strengthened by the government, under the authority of a statute of the Labour Appellate Tribunal. The LAT was set pin 1950 and did much to evolve 'norms' and standards to give concrete expression to the principles enunciated by the Fair Wages Committee. The LAT, however was opposed by Workers' organisation because of inordinate delays in the settlement of disputes. It was, therefore, abolished in 1956.

Drawbacks of Adjudication

In its early days wage adjudication was mostly confined to disputes in individual establishments. So long as, this was the case and unions and managements limit their comparisons to the wage structure prevailing in the different units in the industry in the region concerned, results of adjudication were satisfactory on the whole. The formation of four central labour organizations to which unions operating in different industries in different regions were affiliated was a powerful stimulus to the widening of the scope of trade union action. This led to the ordering of all-India adjudications such as those in banks, in collieries and in the case of working journalists. But the enlargement of the area of adjudication soon revealed problems and difficulties. The very first and the greatest problem was whether the same set of wage rates and conditions of service could be made applicable to all banks and to all branches in all provinces or whether banks and their branches would have to be classified according to their size or location.

Both the Sen Tribunal and Sastry Tribunal accepted the need for classification and the prescribing of different scales of pay for different classes of banks and for the different types of areas. A uniform wage structure might prove inadequate for larger and prosperous units and excessive for the smaller and economically weaker units. In view of the difficulties involved in tackling various categories of units and geographic differentials in the process of adjudication Industry-wise adjudications on the all-India scale led to the disillusionment of labour. Whatever be the drawbacks or imperfections of adjudication, the fact is that in the period of more than five decades since the institution of compulsory adjudication, tribunals and courts have had a very large say in the evolution of wage structure in the organised sector of the Indian industry.

Wage Boards

Because of inordinate delays, unsatisfactory results and multiplicity of statutory authorities entitled to interfere with the original award, compulsory adjudication fell into disrepute. When Mr. V. V. Giri became the Labour Minister in 1952, he expressed his conviction that "internal settlement of disputes is eminently to be preferred to compulsion from outside and that collective bargaining and voluntary arbitration should be encouraged in preference to compulsory arbitration". Though the "Giri Approach" was considered to be impracticable for immediate implementation and was, therefore rejected it did much to undermine the confidence of all parties in the usefulness of compulsory adjudication.

The Fair Wage Committee had, earlier, recommended the setting up of tripartite wage boards for fixation of fair wages on an industry-cum-region basis. The idea of wage boards, received warm reception. The first Wages Board was set up for cotton textiles industry in 1957, followed by wage boards for sugar (1957), cement (1958), jute (1960) and tea plantations (1960). A total of 22 wage boards were set up between March, 1957 and and May,1966.

Objectives:

By giving an active role to the parties concerned, the system -was expected produce (1) more durable results, and (2) better climate for industrial relations. The presence of independent members was expected to safeguard the general interests of the community.

National Minimum Wage:

It would not be inappropriate at this stage to ponder over the other aspect of statutory minimum wage legislation that is, whether a uniform national minimum wage could be prescribed through legislation. Such policy differs in essence from the mere establishment of a national minimum day-wage from which under-rate workers are exempted. It is rightly contended that the forcing up of this sort of low wage will react favourably upon the size of the national dividend by strengthening employers in their competition with the incompetent rivals. The advocates of a national minimum wage also claim that such a minimum with extensive coverage would make implementation easier and effective. The enactment establishing such a wage level is further believed to promote correlation between wage and general development policies and bring about rationalisation of the wage structure itself.

The workers' organisations who advocate national minimum wage legislation however, apprehend that the minimum so fixed will tend to be the minimum and as such suitable safeguards should be evolved. The employers on the other hand, argue that fixation of such wage level in India with the provision that it should take into account national per capita income. Some of them also feet that fixing a minima is necessary only for sweated industries. Consequently, there will be, no indirect gain to the national dividend, and there will be, on the other hand, direct loss that their labour is withdrawn from production.

The National Commission on Labour which examined various sorts of views on the issue from different quarters concluded that "the fixing of a national minimum wage with a necessarily wider coverage may bring in its train a number of difficulties. Because of the vastness of the country and wide differences in the levels of development in industries and regions, a uniform national minimum wage will be untenable. A national minimum wage in sense of a uniform minimum monetary remuneration for the country as a whole is neither feasible nor desirable. If one is fixed, the dangers are that there will be areas which will not afford the minimum if the minimum is worked out somewhat, optimistically. And if calculations are allowed to be influenced by what a power region or industry can pay, the national minimum will not be worth enforcing. "

The Bhoothalingam Committee on Wages, Incomes and Prices in its Report in May 1978 has, however, recommended a national minimum wage of Rs. 150 a month. Since it may not be possible to achieve this immediately, it has been suggested that initially, the minimum daily wage be fixed at Rs. 4 for eight hour work or at not less than Rs. 100 a month for unskilled workers, irrespective of sex. The Committee has further recommended that the national minimum wage be revised every two years till it comes to Rs, 150 a month at 1978 prices and then it should be revised every three years.

In the background of wide variations in the productivity of workers and capacity of industry to pay, the Commission pleaded for the introduction of regional minima in the context of different homogeneous regions which can as well give workers, organisations the necessary means to build up public opinion in favour of not allowing any employer to go below the notified minimum. But, widening of the area for fixation of minimum wage beyond a state may be impracticable and also not in the best interests of the workers. In respect of certain industries which are spread over two or more adjacent States, fixing a common statutory minimum wage may be feasible and indeed desirable; its absence may lead to a flight of industries which do not need much of capital equipment, from one State to another.

Thus, it is not desirable as well as feasible to have a single national minimum wage which will apply to all occupations and industries in the present state of economic development of the country. The minimum wages like the prevailing rates need to be determined separately for each occupation in which they are necessary.

Wage Determination Under Adjudication:

While minimum wage legislation is enacted to regulate wages in the sweated industries, adjudication machinery is set up under the industrial relations legislation to settle industrial disputes including those emerging from wage issues. Thus, adjudication machinery is to regulate wage level in the course of settlement of disputes which occur when the workers are organised. It is not likely to be an efficient machinery for wage regulation, particularly in regard to unorganised sector of adjudicators lead to diversity in their awards. Since the decisions are enforced by the State they are less dependent on the parties goodwill and co-operation.

Though the State intervention in the settlement of industrial disputes started with the Trade Disputes Act 1929, the Defence of India Rule 81 A promulgated by the Government of India to meet the exigencies created by the Second World War, in the form of an outburst of industrial unrest, gave powers to the appropriate Governments to intervene industrial disputes, appoint industrial tribunal and enforce their awards on both sides. The Industrial Disputes Act, 1947, empowered the Government to refer ar industrial dispute for adjudication.

The recommendations of the Central Pay Commission (1947) was the first authoritative pronouncement in this field. In this Report, the Commission stated that a Government which proposes to sponsor minimum wage legislation for private industry must be ready to give the benefit of that principle to its own employees. The Commission fixed a minimum basic wage of Rs. 30 per month for the least skilled Government employees.

While examining the question of minimum remuneration for Central Government employees, the Second Pay Commission (1957-59), took note of the norms set by the 15th Indian Labour Conference and the minimum worked out on this basis by the major organisations of the Central Government employees. The money value of the minimum wage worked came to Rs. 8, corresponding out on the All-India Working Class Consumer Price Index Number 115 (1949 : 100). The Commission which appeared to be fully conscious of the case for a need-based wage minimum seemed to have felt at more important than the fact of quantitative definition of minimum remuneration is the content of what is defined.

Non-Statutory Wage Determination:

Types of machinery, apart from wage determination in non-scheduled (organised) industries by the adjudication machinery it has been the outcome of either individual and collective bargaining or of recommendation of a machinery set up for the purpose on a non-statutory basis. There are three types of machinery of latter type Viz., Trade Boards, General Boards and the Conciliation and Arbitration Court or Board. While a Trade Board regulates wages in an industry, General Board has no such limitations to its scope.

Model Questions

1. Explain the importance of the Minimum Wage Act, 1948.

2. Elucidate procedure for fixing minimum wages.

3. Discuss the main provisions of the Minimum Wages Act, 1948.

4. Explain the concepts of Living Wage, Fair and Minimum wage.

5. Explain the concept of Living Wage.

6. Point out the difficulties involve in the enforcement of minimum wages.

7. What are the problems of fair wages and the features or fair-wages Bill of 1950?

UNIT - 3

WAGE DIFFERENTIALS

Wage differentials bear a direct relationship to the diversity in occupations and industries that exist in the economic sphere of activity. There is a need to understand the reasons for these differences as in many cases there is a constant adjustment taking place in order to maintain the existing disparity.

When there is a variation in worker's skills, i.e., highly skilled, semiskilled and unskilled, their wage rates will differ. The variance is due to the complexity of the skill acquired, its scarcity, and the time taken in training to acquire it. The unskilled category is relatively less paid. There are certain jobs which involve physically heavy work, others which are strenuous but may not require very high degree of other skills, and yet again, there are certain jobs which require the workmen to work in unpleasant and dangerous conditions, like coal miners, who have to work underground with poor ventilation and safety hazards. Yet, they may not get high rates. The economic factors or abundance of such workers may alter their bargaining strength. Two factors need to be taken into account here -the demand and supply for a particular category of skills and the state of prosperity of an industry or unit. If it is depressed, this will have some effect on wages and consequently on the grades.

On a wide scale, there has not been a systematic attempt on job evaluation -an exercise which would have identified the differences in terms of skill, training experience, etc., between jobs and provided for relative weightage which could lead to standardisation and eradications of distinctions for the same type of jobs.

Problems of Wage Differentials

There are wage disparities between individuals doing the same or similar kinds of work, merely because they belong to different categories for organizations like government departments, municipal bodies, the private sector so and on. The Bhoothalingam Committee has pointed out the example of sweepers with different wages for the same skills as a case in point. The other distortion pointed out in the Report is the case of people with higher qualifications and skills, receiving less wages than people with much less qualifications. Wage differentials occur for a variety of factors, as the wage pattern was evolved in a historical context and under the. influence of certain other factors such as the change in situation. For instance, as the Gulf countries demand some of India's skilled workmen, their scarcity increases and consequently their wage rates.

Contributing Factors

The principle of equal pay for equal work- implies the principle of 'unequal pay for unequal work' and as such presents itself as a special case of wage differentials. In practice, the rate of individual employee's remuneration is conditioned by degree of difficulty, danger and inconvenience associated with work, intensity of effort required, amount of education, training and experience required for task, and degree of responsibility. But, wages are subject to conditions of demand and supply which, in turn, reflect workers' productivity and job attractiveness. The wage levels are thus, determined by demand for labour, industry's capacity to pay, bargaining skill of parties, extent of competitive and monopolistic conditions, prevalence of wage levels in other industries and the cost of living. All these factors have caused wage differentials from person to person, unit to unit, occupation to occupation. Industry to industry, region to region within the same country, sector to sector, period to period and nation to nation.

If there were free mobility of labour over the entire field to employment, real wage would tend to be in proportion to the relative efficiency of labour engaged in each kind of work. Real wage would tend to be the same. If workers in one employment get real wages more than proportionate to their efficiency, labour would tend to move to that employment until increased supply brings down its marginal productivity and wages. On the other hand, if wages are lower than the relative efficiency of labour are paid in an employment, an opposite movement will take place. In real life labour cannot move freely from employment to employment especially in different grades. Different grades tend to become 'non competing groups'.

A broad guide-lines of systematic description of wage differentials may be classified into three categories. Firstly, there are differentials that can be attributed to the imperfections of the employment markets such as the limited knowledge of workers in regard to alternative job opporunities available elsewhere, the obstacles to the geographical, occupational or inter-firm mobility of workers; or time lags in the adjustment of resource distribution to changes in the scope and structure of economic activities. Inter-industry, inter-firm and geographical or inter-area wage differentials for the same occupations belong to this category unless they can be explained by social values or prejudices or reflect lasting differences in the attractiveness of working in different industries, firms or places. Secondly, there are wage differentials which originate in social values and prejudices which are deeper and more persistent than the economic factors, for example, wage differentials by sex, age, etc., and thirdly, there are occupational wage differentials which would exist even if employment markets were perfect and social prejudices were absent.

In any economy, in a given period, the above three type of wage differentials are found. On the whole, the first group is induced by economic forces in the course of economic development. This is in part because labour supply to an industry or to a geographical area becomes very elastic in the long run. As regards the second group of wage differential, it is less susceptible to economic development tends to modify social values. In directions favourable to the levelling of wage differentials being based on intrinsic skill differences and not due to social prejudices, are the only ones that should be expected to persist indefinitely. Therefore, in the long run, real wage differentials among industries will reflect differences in the "skill-mix".

Types of Wage Differentials

(i) Inter - Personal Wage Differential

Personal wage differentials arise because of individual differences which are attributed to two factors of heredity and environment. According to those who stress the contribution of heredity in accounting for individual differences, the capacity, is attributed to his inheritance. The earliest classic inquiry of Galton showed that "a man's abilities are derived by inheritance under exactly the same limitations as are the form and physical features of the whole organic world". He concludes at eminence is not dependent upon training, upon association with eminent relatives, upon economic advantages, but open natural gifts present in the family- trait and passing from generation to generation.

Another group of studies, organised with the specific purpose of revealing the effect of changed environment upon variability of individual mental traits, showed that environment as a general force does make a very definite contribution to human variability. Its importance may, however, be described as restrictive in character as the depressing effect of a limited environment seems more marked than stimulating effect of good environment. The other important generalisations of such studies so confirm that heredity sees up in a very definite way the limit of development of various traits like weight, height and strength. Variability in human race is, thus, held to result from the interaction of heredity and environment.

Wage differentials which originate in social values and prejudices are best illustrated by the differentials as between men and women. In most cases, women are paid lower wages for doing the same kind of work. Broadly speaking, those occupations which involve strenuous muscular work are usually confined to men. Similarly, men are predominant where a long period of training is necessary to secure the required skill. Women, as, a rule are not provided with such training. Since woman do not make their work a life career, they do not equip themselves with proper education and training .Normally their aim is to get married and after marriage most of them cease to earn independently .However, those occupations in which the work is of a comparatively high character tend to employ a large number of women. Similarly, where delicacy of touch is an important requisite, women are often more efficient than men.

Custom and prejudice also restrict the sphere of womens employment though these barriers are gradually weakening. As regards the proportion of men to women in industry, it is usually found that the proportion of men to women remains fairly constant where the rates of wages are not differentiated according to sex. But, on the other hand, where women received lower rates than men, the proportion of the former tends to increase. In practice due to long habit and custom there is always a tendancy to pay low wages to the women workers compared to men for the same kind of work. Women get low wages as compared to men for various reasons also such as lack of organisation, less mobility, lower subsistence and limited obligations and responsibilities owing to fewer dependents. Often women join a factory to supplement the total earning of the family. Moreover, there is also comparatively a lesser demand for women in industries. For these reasons even under the Minimum Wages Act in India, differential rates have been fixed in many industries.

(ii) Inter-Firm Wage Differentials

They reflect wage variations from firm to firm in the same industry and as such are indicative of inequality in wage levels of workers in different plants in the same area and occupation. They are, attributed to various factors and financial capacity of the employers concerned.

(iii) Inter-Occupational Wage Differentials

They show relative wage variations of different occupational groups in the same plant depending on the nature of tasks assigned to the workers.

The basic functions of such differentials are (a) they introduce workers to undertake more demanding or dangerous jobs or those involving 'great chance to unemployment or wide uncertainty in earnings' (b) they provide an incentive to young persons to incur the costs of training and education and encourage workers to develop skills in anticipation of higher earnings in future, (c) they also perform a social function by way of determining the social status of workers. In many cases, the nature of social prestige is reflected in the type of job itself, yet monetary rewards associated with various jobs also in part symbolise social distinctions.

Occupations may broadly be classified into two groups such as salaried positions and manual jobs, and the latter can in turn be sub-divided into groups- skilled and unskilled. These occupational wage differentials have broadly followed changes in the relative supplies of labour to various jobs, i.e., supplies of labour have increased proportionately more for salaried position than for manual jobs and for skilled manual jobs than for unskilled ones.

Further, skilled-unskilled wage differentials are larger in developing than in developed countries. There is some semblance of homogeneity to job classification and definition in advanced industrial countries on account of the existence of apprenticeship schemes, well organized systems of trade testing and collective bargaining arrangements. This is not so in less-developed countries. However, there has been some tendency towards compression of skill differentials in most of the under developed countries during the past two decades or so. Market pressures have been moving towards a widening of skill differentials. But, political and ideological pressures have been working in the opposite directions towards closing of the gap between high and low paid workers. The general dispostion is to give priority to the social goal. Cost of living and fringe benefits have tended to compress skill-differentials but not to a great extent.

Unskilled workers in developing countries have little scarcity value to help them to increase their wage relative to skilled workers and there are legal minimum wages to put a bottom to the wage structure. Minimum wage policies stem from a widespread disapproval of the level of unskilled wages that markets would otherwise bring about. On the other hand, since the markets for skilled labour are left unregulated, supply and demand determine skill wages which are compatible with the full employment of skilled workers. In many developing countries the aggregate demand is increasing rather slowly, so that market-determined skilled wages also tend to increase slowly.

Many obsevers feel that narrowing of skilled-unskilled wage differrentials in developing countries is something economically irrational and adversely affects the incentive to skills requisition. As regards wage differentials between manual and non-manual occupations, the wage differentials between them have been widening in many developing countries. Social conventions obstruct an economically rational relationship between white and blue collar pay.

(iv) Inter - Industry Wage Differentials

Wages also vary from industry to industry. Such wage differentials arise when workers in the same occupation and region are paid different wages in different industries depending on their place in the economy as well as other variables like risk involved and profitability. The average annual earnings for men and women workers in various industries show large differentials mostly due to the concentration of women in the lower paid unskilled job and larger percentage of men employed in the skilled and semi-skilled jobs.

(v) Inter-Regional Wage Differentials

These differentials arise when workers in the same industry and occupational group, but living in different regions or the States are paid different wages. Such variations in wages are attributed to differences in the cost of living, stage of industrial development and regional supply of labour. In the case of an industrially developed State, demand for labour will be relatively high. A comparatively high wage rate is as such necessary to attract and retain such labour in the industries of the State. The influence of localisation of industry on wage rates are significant.

A particular geographic area or region may have one set of wages as compared to another. For instance, the Western region of India is generally found to have higher wage rates, the contributing factors being the demand and supply equation of labour, given the large number of industries, implementation of legislation, union power and worker awareness. Again, within the Western region there are varations -certain pockets, deemed as backward areas may not command the same wage rates. The industrial climate in this region or at least in the advanced parts is receptive to introduction of new technology which in turn requires more skilled workers, commanding higher wage rates and consequently increasing the overall average.

(vi) Intra-Industry Differentials

Even within industry (e.g. textiles) differentials in wages exist for the same or similar skills in regions which are not always different.

(vii) Skill Differentials

There are wage differentials based on skills acquired because of the training necessary to master a particular skill, the scarcity of a particular skill in the job market, the criticality of a firms's viability, and so on. The DA and fringe benefits have to some extent, narrowed down the differentials between the skilled and unskilled categories. When there is an acute shortage of a particular skill, then an employer may be willing to pay more than the 'going-rate' in the area in order to attract the required. In some cases there may be industry agreements on wage rates which could be flouted. Paying more than the contract rate is termed 'wage drift'

(viii) Sex Differentials

Women workers have traditionally been paid less compared to men workers. However, there are exceptions like the packaging industry where their rates of earnings are higher. The concept, of equal pay for equal work is yet to be implemented all round, though in many cases, especially at supervisory / managerial level, it has been implemented, but otherwise it is gaining slowly.

(ix) Inter-Sectoral Wage Differentials

They reflect wage differentials over various sectors of the economy. Such comparison of the movements in money and real earnings of workers in factory, industrial groups, mines, plantations, transport, trade and insurance, etc., enables one to gauge the extent of relative improvement in their position in the country's economy.

(X) Inter-Temporal Wage Differentials

Variation of wage over time reflects the significance of factors influencing the economy as whole such as depression and boom. A study of such wage differentials in the average incomes enables one to compare economic status of the working class from time to time, But, it involves adjustment in the movement of wage levels to that cost of living. Thus, it leads to an estimate of real wages to the extent to which variations in money earnings are due to fluctuations in the value of money over certain period of time.

(xi) International Wage Differentials.

These differentials reflect wage variations amongst different countries because of varying stages of development of the economy in general and industries in particular.

(xii) Market Imperfections

Various types of immobilities, (geographical, institutional or social) monopolistic trends and government intervention give rise to market imperfections, The wages may be high or low according to the existence of strong trade union, fixation of minimum wages by the government, etc. Differences in wages in the same occupation at two places or regions may arise due to geographical immobility of the workers.

While the highly imperfect labour markets in many developing countries are associated with wage differentials in ways similar to those that existed in the early times of developed countries. However, many differentials are not comparable between developed and developing countries because of difficulties in standardization of data for the purpose.

In the developed countries all the firms-large or small-usually compete for workers in the same employment markets, while firms in developing countries often tend to build up segmented employment markets due to surplus labour. It has, therefore, been generally noticed that wage differentials between larger and smaller firms or establishments are wider in developing than in developed countries. Markets tend to be more imperfect and wage differentials are wider in less developed than in more developed countries.

Causes of Difference in Wages

In practice diffences in wages are found to exist in different employments, occupation and localities. The factors which create such differences may be put as (i) differences due to the existence of non -competing groups in the labour market; (ii) equalizing differences and (iii) non-equalizing differences which may further be put under two subheads. (a) differences due to market imperfections and (b) differences due different labour quality.

Non – Competing Groups:

Among the workers, their mental and physical capability levels of education or training differ. They are categorized into various groups. Among the workers of a particular group, these is competition but among the various categories of workers, competition does not exist. They are known as non–competing groups. Workers in each category of non-competing groups get their wages determined by the forces of demand and supply. Naturally differences in wages of various categories of workers do exist. Non–competing groups of workers arise, because of geographical social or economic reasons. These barriers arise because of each of transport facilities, dearth of facilities for better training along with the existence of family ties or caste barriers. Such non-competing groups each occur also because of the worker's inability to move from low-paid to high paid jobs.

Equalizing Differences

If a group of workers in a particular non-competing group are equally capable of performing several different jobs, one might expect that the wage rate would be identical for each of these jobs. But, this is not the case. Here we come across another type of differences known as 'equalizing differences' jobs may differ in their unpleasantness hence wages may have to be raised to encourage people into less attractive jobs. Such wage differentials which serve to compensate for the non-monetary differences among jobs are called 'equalizing differences'. The non-monetary benefits that create differences in wages of workers in different jobs or occupations are as below.

a. There may be differences in the difficulty or cost of learning a trade. Generally, the number of persons who can master difficult trades is small and consequently their supply is less than demand. As a result their wages will be higher.

b. There may be differences in the responsibility and reliability of the job. Workers in jobs requiring greater responsibility and or reliability such as mill manager's job are paid higher wage.

c. There may be differences in agreeableness or social esteem of employments. Workers employments which are disagreeable can be attracted when they are paid higher wages. However, in case the disagreeable work can be performed by unskilled workers who cannot do anything better owing to social or other disabilities (for example sweepers in India) wages may be quite low.

d. There may be differences in future prospects for the workers in different employments or occupations in case an occupation offers hopes of future promotion, workers will accept a lower start as against another occupation offering higher initial rewards but no or little opportunities for rise in the future.

e. There may be differences in the nature of the employment. Regular employment generally carries a remuneration or wage as against an irregular employment.

i. There may be differences in the nature of the occupations. Hazardous and dangerous occupations generally offer higher wages or emoluments as against, simple and safe ones.

g. In certain occupations, workers are provided with various facilities such as free education for children, free medical aid, etc. Wages in such occupations may be comparatively lower than in those where such facilities are not provided.

Workers are not homogeneous and all differences in their wages cannot be explained by the equalizing differences. Differences in wages of workers in the same occupation or on identical jobs may be explained by non-equalizing differences under the following head.

Differences in Labour Quality

Wages may differ due to differences in labour quality. Differences in efficiency of the workers may be due to in born qualities, education, training, conditions under which work is carried on. Where efficiencies differ, wages must differ.

Adam Smith assigned five reasons for such differentials: Firstly, 'the disagreeableness of the employments themselves' is the main cause of such variations. People are prepared to accept a low paid job which is pleasant and light as against a tiresome and dirty job which offers more pay. Secondly, occupations which are easy and cheap to learn carry low wages as those which are difficult and take more time to learn. Thirdly, the constancy and inconstancy of employment in them-jobs of a temporary nature carry higher wages than those which are permanent. Fourthly, the small or great trust which must be reposed in those who exercise them-persons carrying .Work of greater responsibility get more wages than others. Lastly, probability of success in them wages must be high in those cases where success is uncertain.

Wage Differentials in India

A comparison of the average earnings of men and women workers in the cotton textile industry made by the Rege Committee (1944-45) showed that although wages of women in general were lower than those of men at different centres, the differences were not very much. In a few centres and units of the industry like Coimbatore, however, women received much lower wages than men.

According to the Rege Committee, the differentials in the basic State of wages and average earnings for men and women workers were not pronounced. In many instances both were paid some basic wage-rates in the jute mills. The trade unions, on the other hand, are of the view that the existing wage differentials are adhoc and arbitary. This should be narrowed down by raising the wage floor, for the present difference between the lowest and the highest paids too high because the pay of the lowest paid workers is too low.

Economic Significance of Wage Differentials

In other words, they provide an important incentive for labour-mobility and cause allocation and reallocation of labour force under changing conditions. The study of wage differentials is further of great significance to solve the problem of wage regulation. There is need for fixing up the minimum wage rates in view of the conditions of different industries in different regions. The same rates of wage cannot be fixed for all workers in different industries, occupations and regions because of changing industrial, occupational and regional requirements. A skilled and highly trained worker cannot be expected to work for the same wage that is paid to an ordinary unskilled worker. In the same way, wage differentials are justified because of variations in the cost of living in different regions as well as the time. Since it is not possible to eliminate personal, regional, temporal and other sorts of differentials between firms, industries and occupations as well as nations, wage differentials are inevitable and do persist and at times perpetuate themselves. Although complete regularisation and elimination is neither feasible nor desirable, maintenance of proper differentials in wage levels is a necessary part of national wage policy in order to employ workers variously.

Wage differentials perform a very important and useful economic function in that "they provide an important incentive for labour mobility and bring about a reallocation of labour force under changed conditions, however, imperfect the market mechanism may be". Wage differentials have an important role to play in the regulation of wages and .development of a national wage policy. A developing economy generally requires the development of new skills and creation of new occupations. Shortage of workers, skilled as well as unskilled, in the basic and key industries and in backward and underdeveloped regions may create serious bottlenecks that might impair the efficiency of planning and check the growth of the economy. The maintenance of proper wage differentials, therefore, becomes an essential aspect of the national wage policy.

The question of wage differentials has a profound economic and social significance as it is directly connected with differentials to the allocation of economic resources of a country including manpower, growth of national productivity. Other things remaining equal, the marginal productivity of workers with superior abilities would be better than the marginal productivity of workers with inferior abilities. The superior workers are therefore likely to receive better wages than those with inferior abilities or skills. The wages to count would not, merely to money wages per unit of time but also all other advantages received by workers from their employers in the form of living quarters, water, electricity, medical facilities, work surroundings, promotions, gratuity, bonus, pension, accident compensation, hours of work, dignity of the job, freedom from bossism, etc. However, the marginal productivity that matters from the employer's point of view is the extra income that the employees get as the result of one more unit of labour, all other things remaining equal. Those adding more to the extra income would be regarded more productive than those who add less. The principle, that differences in ability must reflect themselves in differences in productivity, indicates itself in the determination of wages on the piece rate basis in which those who produce more get more wages.

Equal Pay for Equal Work

It may be pointed out that the principle of 'equal pay for equal work', together with its counterpart "unequal pay for unequal work", is an important problem of relative wages. However, this, 'equal pay for equal work', means equal pay for the same job and it does not mean that there should be the same pay for all types of workers. It also does not imply that there should be equal pay for equal product or equal pay for equal effort and sacrifice, because in both the cases it is difficult to measure the quality of output or the effort and sacrifice and, hence there would be much difficulty in fixing the wages on that principle

Hence, difference in wages at different places in different occupations will always remain. By standardization is not meant a uniform wage at all places. It can only mean the application of a uniform standard in fixing the wages on scientific lines and to narrow down wide differentials and yet maintain a incentive towards higher skills and increase in productivity.

Wages differ in different employments, professions and localities on account of various factors, like agreeableness or disagreeableness of work in that occupation, permanent or temporary services, chances for promotion, a good grade, dignity attached to the job, chances for making additional income, working conditions, extra facilities, like free accommodation, the difficulty of learning a trade and so on. One account of these factors, wages in some occupations are low, while in others they are high. Besides, the differences in prices and the cost of living at different places and condition of an industry, also make a difference in the wages. As pointed out in the First Five Year Plan, the differentials in wages relate to (1) the degree of skilled labour required, (2) the strain and the fatigue involved, (3) the training and experience required, (4) the responsibility to be undertaken, (5) the mental and physical requirements for doing the work, (6) the disagreeableness of the task and (7) the attendant hazards. All these factors have to be kept in mind while fixing a standard rate of wages, consistent with the social objectives in the Five Year Plans.

Wages of Men and Women

There is always a tendency to pay low wages to women workers as compared to men for the same kind of work. Women are, by nature, not so accustomed to do physical work as men can do. They cannot work for very long hours. They also take to a job in order to supplement the income of families and have no responsibilities like men. They do not make their work a life career and marry unmarried women leave the job after their marriages. Women, for the same reasons, do not organize themselves into trade unions and secure higher wage for themselves by joint action. The employer has also to pay many kinds of benefits and provide facilities for them, and cannot treat them in the same way as he can treat men workers. The supply of women is also greater in the occupations in which they can be employed and, hence, they are paid low wages.

However, with the modern advancement and great education among women, there has always been a demand for equal pay for men and women workers, as women do not consider themselves inferior to men. Equal pay for men and women for work of equal value is one of the Directive Principles of the Indian Constitution and the ILO has also adopted a Convention on this subject which was ratified by India. But, we feel that this principle may not be a very right step in practice. On account of the factors mentioned above, the employer is always at a disadvantage in engaging women workers and, therefore it is natural that he pays lower wage to them. In many industries, women workers have been replaced by men workers and no fresh recruitment takes place in their case as there is sufficient supply of male workers. Hence, even under the Minimum Wages Act we find that differential rates have been fixed in many industries and the Government has also realised that to "fix equal wages for men, and women in a job in which women are less efficient would lead to their gradual elimination from employment"

The concept equal pay for equal work contains two implications. Firstly it may connote equal pay for equal value produced. Here the concept should consider a not value produced allowing for differences in the cost of employment for men and women. Secondly, the concept may also mean that the industry should pay similar hourly or daily rates in each occupation irrespective of sex. However, paying women workers the same rate as per men for performance of lower not value may induce the employers to employ men only.

The principle of 'equal pay for equal work' has secured many adherents among men as well women workers. Equal pay for men and women for work of equal value is one of the principles underlined in the Indian Constitution under the Directive Principles of the State policy and subsequently specifically adopted by the Government of India when it ratified the ILO Convention (No.100) concerning equal remuneration for men and women workers far work of equal value. Thus, this principle has been adopted in India.

The Royal Commission on Equal Pay accepted the interpretation that "equal work" implies work not only in the same job but also "in similar and comparable jobs". Thus, it means payment of wages, according to the type of jobs performed by different types of workers. it is not desireable to think that there should be no inequality of earnings even among the people doing a given work under similar conditions as there may be differences in innate skill. Again, inequality of earnings is caused by the element of cost of movement from place to place. Furhter, the period and expenses involved in learning new trades differ from different categories of workers. Hence, even if all the causes of inequality of Income due to absence of perfect competition were removed by the appropriate State action. Some inequalities in earned incomes would still remain". The Planning Commission had accepted the inevitability of paying equal wage rates because of differences in degree of skill training and experience, mental and physical requirements and attendant hazards and the responsibility to be undertaken.

Though the principle of equal pay for equal work commands general appreciation, it is rather difficult to apply it in practice, The principle has been variously taken to imply: (1) equal product and (2) equal pay for equal value to the employer. The first interpretation is necessarily very inexact effort and sacrifice cannot yet be properly measured, and if they could be estimated, it is a very doubtful principle to work upon. The second interpretation of the principle is more common. The amount and quality of the output are taken as the measure, irrespective of the efforts and sacrifices made by different workers. The third interpretation comes from the side of the employers. The output per worker is not a satisfactory index value to the employers, as the employment of women involves higher standing charges for interests on plant depreciation, rent, supervision, etc., the net value of women's output is diminished. Thus, even the piece rates would have to be differential to this extent. If however, equal piece rates are paid, women will be ousted from the factories because their output is practically one-third less.

As early as in 1919, Article 41 of the Constitution of the international Labour Organisation affirmed the principle that "men and women should receive equal remuneration for work of equal value" ...Its Recommendation No.71 adopted in 1944, also calls for the "establishment of wage rates, based on job content, without regard to sex, in order to place women on a basis is equality with men in the employment market". The Convention adopted in 1947 related to abolition of all discrimination among workers in respect of wage rates and to fix them on the principle of "equal pay for equal value" refers to rates of remuneration established without discrimination of sex. The Recommendation of the Conference deals with the methods of application of this principles. Some industrial Tribunals have declared wage awards in accordance with this fundamental principle.

The principle of 'equal pay for equal work' might be regarded as equal pay for the same job so as to secure less ambiguity. The principal issue is to evolve certain objectively determinable criteria for the measurement of work and the comparison of jobs by different categories of workers. Moreover, differences in wages at different places in different occupations will always remain owing to various factors such as agreeableness of work in a particular occupation, chances for promotion, dignity attached to the job, working conditions, extra facilities, etc. Besides differences in wages at different places are also due to the differences in prices and in cost of living. Standardization of wage refers only to the application of a uniform standard in fixing the wages on scientific lines. As regards the principle under consideration, the adoption of this principle on the whole would benefit men as well as women for the replacement of men by underpaid women would undoubtely diminish.

An Ordinance was promulgated in India on the 26th September 1975, for payment of equal remuneration to men and women workers for the same work or work of a similar nature and for the prevention of discrimination on grounds of sex. The plantation industry was the first to implement the concept of equal pay for equal work since there are about four lakh women workers. The disparity in wages in the tea plantations was the highest in Himachal Pradesh.

The Equal Remuneration Ordinance 1975, was replace d by the Equal Remuneration Act, 1976.The Act provides for the payment of equal remuneration to men and women workers for the same work or work of similar nature.

It prevents discrimination on the ground of sex against women in the matter of employment and for matters concerned there with or incidental thereto except where the employment of women in such work is prohibited or restricted by or under any law for the time being in force. The Act provides increasing employment opportunities for women and for the setting up of advisory committees by State Government.

The Act has been enforced in several spheres including plantations covered under the Plantation Labour Act, 1951, local authorities, Central and State Governments, banks, educational, institutions, mines, hospitals, hotels and restaurents, manufacture of textile and textile products, and wholesale and retail trades. In March 1978, the Central Government has enforced the provisions of the Act in respect of employments in real estate and business services and legal, such as those rendered by advocates, barristers, solicitors, pleaders, mukhtiars, etc. The Act has also been extended to some other employments, such as construction, transport storage and communication, agriculture and allied activities, air transport industry, community, social and personal services.

Model Questions

1. What do you mean by Wage differentials? Explain the various types of Wage differentials.

2. Elucidate the causes of differences in wages with special reference to India.

3. Critically assess the economic significance of wage differentials.

4. Wage diffferentials is due to market imperfections" Do you agree?

5. "A complete analysis of Wage differentials in India is not possible" Elucidate this statement.

6. Narrate the implications of the principle of equal pay for equal work.

7. "Though the principle of equal pay for equal work commands general appreciation, it is rather difficult to apply". Why?

UNIT – 4

WAGE BOARDS

Introduction

In unorganised industries, wages are fixed and revised under the Minimum Wages Act, 1948.But for other industrial workers, they are fixed by several well-established procedures or practices. These are settlements in conciliation of wage disputes, collective bargaining at the plant level, bipartite wage revision committees in several industries and adjudication. Lately, Wage Boards have also been there on the scene.

Wage Board is a tripartite body, having representation of the employers and labour besides independent members, the representatives of the former two interests are nominated by their central organisations; others are nominated by the Government. It is an important machinery of State regulation of wages.

Growth and Development of Wage Boards

The history of Wage Boards in India dates back to the 1930's The Royal Commission on Labour recommended the setting up of tripartite boards in Indian in industries.

But, the recommendation was not accepted by the Government. After Independence, the Industrial Disputes Act was enacted under which disputes regarding wages could be settled through adjudication. But, the parties were not satisfied with this system. The idea of setting up of tripartite Wage Boards was, therefore, mooted and endorsed in the First Plan.

No action was taken during that Plan period. However, the Second Plan emphasised the need to determine wages through industrial Wage Boards. It observed.

This recommendation was subsequently reiterated by the 15th Indian Labour Conference in 1957 and various Industrial Committees. The Government decision to set up the first Wage Board in cotton textile and sugar industries in 1957 was also influenced by the Report of the I.L.O.

In India the Bombay Industrial Relations (Amendment) Act of 1948 may be regarded as the, pioneer for making provision for the establishment of Wage Boards in any industry covered by the Act. Accordingly, the first Wage Board was set up in Bombay for the cotton textile industry.

Industries Covered

The first Wage Boards were set up for the cotton textile and sugar industry in 1957. Since the 24 Wage Boards covering most of the major industries have been set up by the Central Government: cotton textiles, sugar, cement, working journalists and non-working journalists (twice each), jute, tea, coffee and rubber plantations, iron ore, coal mining, iron and steel, engineering heavy chemicals and fertilizers, electricity undertakings, road transportation, ports and docks, leather and leather goods, limestone and dolomite.

Barring the Working Journalists (Conditions of Service) and Miscellancous Provision Act, 1955, no Central Act contain any provision for setting up of Wage Boards. They are set up by a resolution of the Government only and they come to an end with the submission of the report.

Composition & Functions of Wage Board

The composition of Wage Boards is, tripartite representing labour, management and the public. Labour and management representatives are nominated in equal numbers. Generally, the labour and management representatives are selected from the particular industry. These Boards are chaired by government nominated members representing public.

They function with Board terms of reference, which include recommending the minimum wage, differential cost of living compensation, regional wage differentials, gratuity, hours of work, etc. Thus, Wage Boards have to deal with a large range of subjects of which the fixation of wage-scales on an industry-wise basis constitutes the biggest of all the issues before them.

In evolving a wage structure, the Board takes into account these facts;

(a) the need of the industry in a developing economy including the need for maintaining and promoting exports;

(b) the requirements of social justice.

Working of the Wage Boards

Although the Wage Boards are set up by the Government, the basic reason for their establishment is the pressure brought about by the trade unions, industrial federation and national centres on the one hand, and the employers' formal or informal consent on the other. The demands for the wage boards are backed either by threatened or actual strikes.

In selecting members to Wage Boards, the Government cannot appoint members arbitrarily. Independent members can be appointed only with the consent of the employers and employees. The representatives of the employers on the Wage Boards are the nominees of the employers' organisation and the workers' representatives are the nominees of the national centre of trade unions of the industry concerned. However, before actual appointments of members a great deal of negotiations take place not only between the two main recalcitrant interests but also among different groups representing particular interest.

Items to be included for consideration of the Wage Boards are the outcome of the negotiations between the parties. The issue items are unanimously decided between the trade unions and employers particularly those relating to gratuity, bonus, hours of work, grant of interim relief, etc. The quantum of interim relief is also decided by negotiations and bargaining which have sometimes resulted in temporary deadlocks.

The functioning of the Board comprises three steps, namely.

(i) to prepare comprehensive questionnaire designed to collect information on prevailing wage rates and skill differentials, means of assessing an industry's paying capacity, most desirable methods of measuring worker capacity and work loads, prospects for industry in immediate future and regional variations in the prices of widely consumed consumer goods. The questionnaires are sent out to labour unions, employer associations, interested individuals, academic organisations and Government agencies:

(ii) to give public hearing in which leaders of labour unions and employers' associations, not represented on the Board, as well as others interested in the industry in question are given a verbal or oral bearing on issues dealing with wages, working conditions and other items;

(iii) to convene secret sessions in which members of the Board make proposals and counter proposals regarding the items covered under the terms of reference;

In case of failure to reach a unanimous decision on the issues each party has the right to veto the other's decision

The role of independent members on the board is limited to conciliation and mediation; they try to prevent deadlocks by promoting communications between the labour and management representatives. They also offer advice and suggestions to the parties, but the final decision must result from the parties give-and-take attitudes and compromises.

The decision-unanimous recommendations -is written down in the form of a report and submitted to the Government. The Government usually accepts unanimous agreement. After that it is to be complied by the parties, the Government has no legal powers to enforce the Board's recommendations. It tries to persuade the parties to narrow their differences and aim at unanimity.

Wage boards take their own time in the submissions of reports. The average time taken by Wage Boards in the finalisation of their deliberations varies from 3 years to $5\frac{1}{2}$ years. The main reasons accounting for delay in the completion of Wage Board's work have been: (i) routine delays in the recruitment of staff preparation and printing of questionnaires; (ii) getting replies to questionnaires; (iii) time involved in public hearings; and (iv) lack of accord among members in arriving at a decision

Evaluation of the Wage Boards

The Boards have been successful in fulfilling their primary object of promoting industry-wise negotiation and active participation by the parties in the determination of wages and other conditions of employment.

"The Board's deliberation and awards have contributed signicantly towards development of a national and 'development-oriented' outlook on questions pertaining to particular areas and sectors. They have given serious attention to the impact (of wage increase) on factors like prices, employment and profitability of the industry".

The Committee set up by the National Commission on Labour identified three major problems from which the Wage Boards suffer; (i) majority of the recommendations of the Wage Boards are not unanimous; (ii) the time taken by the Wage Boards to complete their task has been rather unduly long; (iii) implementation of the recommendations the Wage Boards has been difficult.

The committee the system has not fully met all expectations and particularly in recent years there has been an erosion of faith in this system on the part of both employers and employees.

Remedies

The Committee made some important recommendations as below;

1. The Chairman of the Wage Board should be selected by common consent of the organisation of employers and employees in the industry concerned.

2. In future the Wage Boards should function essentially as a machinery for collective bargaining and should strive for unity.

3. Wage Board, should be assisted by technical assessors and experts.

4. Terms of reference of Wage Boards should be decided by Government in consultation with the organisations of employers and the workers concerned.

5. A Central Wage Board should be set up in the Union Ministry of Labour on a permanent basis to serve all Wage Boards through the supply of statistical and other material and lending of the necessary staff.

6. Unanimous recommendation of Wage Boards should be accepted and in case of non-unanimous recommendations, Government should hold consultations with the organisation of employers and employees before taking a final decision.

7. Wage Boards should not be set up under any statutes, but their recommendations as finally accepted by the Government should be made statutorily binding on the parties.

8. For industries covered by Wage Boards, a permanent machinery should be created for follow up action; and

9. Wage Boards should complete their work in one year's time and the operation of the recommendation of a Wage Board should be between two or three years, after which need for a subsequent Wage Boards should be considered on merit.

If these recommendations are accepted, the working of wage boards may be made more effective.

COLLECTIVE BARGAINING

Initially, individual employees negotiated directly with a potential employer on the wages they would receive for the service provided. With the growth of population, however, and the pace of industrialisation, large numbers of people entered the labour market. This brought about several changes. Individual employers and employees did not find it convenient any more to negotiate individually, owing to the pressure of time, variances in reward for the services rendered and significantly, the ability to push for more as a group on the employees part. Employers also found it more convenient to deal with a group rather than Individuals.

This led to the phenomenon of 'Collective Bargaining' a concept first identified by Sidney and Beatrice Webb in Britain and also by Gompers in the USA.

The pattern of growth of collective bargaining in some countries began from local bargaining at plant level to region-cum-industry level and finally to national level bargaining. The pattern gave a systematic push to employers to organize themselves and has in many instances led to collective bargaining between employers' organizations and employees' organizations (trade unions).

The Concept

The ILO Workers Manual defines collective bargaining as;

"Negotitation about working conditions and terms of employment between an employer group of employers or one or more employers organizations, on the one hand, and one or more representative workers' organizations on the other with a view to reaching agreement".

The process is 'collective' because issues relating to terms and conditions of employment are solved by representatives of employees and employers in groups rather than as individuals. The term 'bargaining' refers to evolving an agreement using methods like negotiations. The process of collective bargaining is bipartite in nature, i.e., the negotiations are between the employers and the employees, without a third party's intervention. The objective of collective bargaining is to come to an agreement.

Some of the salient features of collective bargaining are :

1. It is a 'group' process, wherein one group representing the employers and the other representing employees sit together to negotiate terms of employment.

2. It is a process which consists of a number of steps. The starting point is the presentation of the charter of demands and the last stage is the reaching of an agreement, or a contract which would serve as the basic law governing labour management relations over a period of time in an enterprise.

3. Negotiations form an important aspect of the process of collective bargaining, i.e., there is considerable scope for discussion, compromise or mutual give and take.

4. It is a bipartite process. The employers and the employees are the only parties involved in the bargaining process. There is no third party intervention.

The concept of collective bargaining needs to be understood in its proper perspective. It is not merely a replacement of the market place hugging by a group of workmen with an employer.

Flanders identifies the distinctive nature of collective bargaining to be basically a political institution in which the rules are made by the trade unions of workers, and employers' organizations.

Secondly, since the two aspects of administration and legislation are interlinked, there is a considerable degree of joint regulation by both the parties, governed by the conventions and customs that prevail at the enterprise level.

Thirdly, collective bargaining is not merely an economic process but more a socio-economic one. The values, aspirations and expectations also play a significant role.

Difference between Collective Bargaining and Co-operation

Collective bargaining should be distinguished from labour-management co-operation. In collective bargaining each party tries to outguess the other, to hide its own motives, to play up the concessions it grants to its opponent, and to play down those it receives.

In collective bargaining each party fights for as big apiece of the pie as can be obtained. In co-operation each party strives to increase the size of the pie so that there will be more for every one who partakes of it.

Collective Bargaining Process

The bipartite collective bargaining process usually starts with a charter of demands being presented to the management by the unions on behalf of their constituent members. A fresh charter is submitted upon the expiry of an earlier agreement.

Before the actual negotiations begin both the management and the union groups go through several intra-organizational bargains. The management will have to settle a set of internal policy issues, relating to the concessions they would make, the wages they would pay and the changes that they would like to effect. Again, the balance between viability of the firm, in terms of profits and labour costs, needs to be reconciled. An organization has competing interests to contend with, in that it has to cater to all the shareholders, the employees and the consumers.

The other major policy issue is the stance management takes towards the union from a tough stance to an accommodating or conceding one. Amongst the managerial group, therefore, these issues will have to be resolved and a unified stand presented at the negotiating table.

Similarly, the union team having gone through an intra-organizational political exercise, decides upon their strategy and priorities so as to present a united front at the negotiating table. Gathering of data, once again would be the first step towards formulating the charter of demands. The various groups/categories, such as skilled, semi-skilled and unskilled workers, will each want to maintain and further their differentials amongst each other. The quantum therefore, needs to be reconciled the union representatives without alienating the several groups.

They also work out quantum of wage increase and other welfare measures in preparing the charter of demands. Problem areas either in terms of multiple employee grievances, e.g. on promotions or wanting a greater say in the Government of the enterprise. e.g. formulation or promotion policy, selection norms and processes, can be included in collective bargaining demands from the union. Therefore, there is a great onus on the part of the union executive to keep in direct touch with the rank and file members in order to ascertain their views and needs.

Bargaining Table

Item by item the various demands are taken up, each side presenting its case to the best of its ability; the management giving its prognosis of the state of the industry, the environment, the firm's capacity to pay and its constraints; the union demanding wage increase to meet the increased cost of living of expectations of workers in the changed socio-economic context as well as the increases agreed to by other firms.

Some of the alternatives that these initial rounds of clarification and explanation can provide are given below;

1. Total rejection of all demands as unreasonable, and therefore a deadlock.
2. Rejection of some (perhaps major demands like percentage increase in wages) and offer to consider some others.
3. Management to work out cost and other implications of demands and restart negotiations.
4. While agreeing to consider union demands, management putsforth counter demands of its own.

Walton and Mckersie have characterised all the variations in bargaining into the following categories, and any settlement may have one or all the elements, i.e., (i) intra-organization bargaining; (ii) attitudinal structuring; (iii) distributive bargaining; and (iv) integrative bargaining.

Earlier we saw the reference and importance of intra-organisational bargaining, where by both the employers' and unions' executives discuss the general demands/strategies and arrive at a consensus of approach among themselves before parties meet at the bargaining table.

Attitudinal structuring implies an orientation or an approach to the concept of collective bargaining as an ongoing relationship, rather than as a piecement, adhoc settlement. Such a stance also presupposes trust and confidence in the other party and the focus therefore, shifts from the mere settlement of issues to evolving long-term bipartite relationships where by the two parties live and work together.

A distributive bargain is one wherein one party gains and the other loses. For the management, labour is a cost and must be curtailed; for labour, they must win as many concessions or demands as it is possible. It is, therefore, a 'zero sum' game, i.e. one party's gain is another's loss. This strategy represents the traditional wage bargains, where the focus is on self and one's narrow interests without taking into account the enterprise's interest as a whole. The strategy is to grab as great a share of the cake as is possible.

Finally, an integrative bargain is perhaps the most desirable, as it aims at expanding the size of the cake with both parties getting a coninously bigger share. In such bargains, productivity aspects are taken into account and by a process of mutual problem-solving the sum total of the gains can be increased. The problem of distribution does come up, but where the approach is one of concern for the viability of the enterprise as also with one's own growth, then the reconciliation of interests is much greater. This therefore, becomes a 'non-zero sum game', with a more open and acceptable approach to productivity increases and sharing of such gains in a mutually satisfactory manner.

The following factors or activities act as hindrances to effective collective bargaining:

(i) The failure of some employers to accept trade unions as a permanent feature of the national economy;

(ii) The separatist tendencies of the craft trade unions;

(iii) The failure of both parties to devote enough time and energy to the preparations for collective bargaining;

(iv) The non-availability of factual information;

(v) Unfair practices;

(vi) The absence of a willingness on the part of either party to assume the responsibilities which are inherent in the bargaining process; and

(vii) The unequal strength of the parties. Both sides should be strong enough not to be shaken or intimidated or over-powered by each other.

Collective Bargaining as a Method of Wage Fixation

The unions concern as well as that of the management is the criteria utilized in wage negotiations .The union is actually involved in enhancing, or at least, preventing a decrease of wages. This factor is significant in determining the union's wage criteria and is to be taken conjunction with the economic factors prevalent in the plant or industry. The major criteria used by unions and management in setting wage levels can be classified as: (i) measures of equity; (ii) measures of need; and (iii) measures of contribution. However, the most commonly used criteria are comparable wages, cost of living. The living wage, the ability to pay, productivity and purchasing power. The living wage and purchasing power criteria are used only by unions as a justification for their demands. To the management wages are a cost and to the worker (union) income. Some concerns for management would be in terms of saving by reducing workers or transferring resources for technological improvements. The workers (unions) will constantly compare themselves with others in the same field. These issues are usually examined in the context of the commonly used wage criteria referred to earlier.

Another area of significance is that of productivity bargaining. The concept of productivity bargaining has gained increasing attention in the Indian industrial relations system. In such agreements advantages such as higher wages or increased leisure are given to workers for accepting changes in established work practices and organization of work itself, thus reducing or eliminating waste and leading to more effective working.

Types of Collective Bargaining Contracts

The EFI study classified the contracts in India in three categories:

1. Bipartite agreements which are totally voluntary for purposes of implementation

2. Bipartite settlements negotiated and settled primarily by the parties but registered before a conciliator in settlement.

3. In the case of consent awards, when the parties have a dispute pending before a tribunal, but yet negotiate a contract, which is recorded by the tribunal, the contracts so negotiated acquire legal status.

The Industrial Disputes Act requires the parties to register the agreement with the conciliation officer, if they; want it to be binding on themselves. The involvement of the government labour machinery as a third party imposes greater restraint on the parties. Many managements and unions first arrive at a collective bargaining agreement and then ratify it in the presence of the conciliation officer. In case of public utility services conciliation is compulsory.

Pre–requisites of Successful Collective Bargaining

If collective bargaining is to be generally adopted in the country, the following facts must be recognized:

(i) There must be a change in the attitude of employers and employees. They should realize that the collective bargaining approach does not imply litigation as it does under adjudication.

(ii) Collective bargaining is best conducted at plant level. The bargaining agents of both the parties should be determined to arrive at an agreed solution of their respective problems

(iii) Employers and employees should enter upon negotiations on points of difference or on demands with a view to reaching an agreement. Any refusal to negotiate on the part of either side should be looked upon as an unfair practice.

(iv) Negotiations can be successful only when the parties rely on facts and figures to support their point of view. The trade union should be assisted by such specialists as economists, productivity experts and professionals so that their case is properly presented to the representative of the management.

(v) Unfair labour practices should be avoided and abandoned by both sides.

(vi) When negotiations result in an agreement, the terms of the contract should be put down in writing and embodied in a document. When no agreement is reached, the parties should agree to conciliation, mediation or arbitration.

(vii) Once an agreement is reached, it must be honoured and fairly implemented.

(viii) A provision for arbitration should be incorporated in the agreement, which should become operative when there is any disagreement on the interpretation of is terms and conditions.

COLLECTIVE BARGAINING IN INDIA

One of the most ardent supporters of collective bargaining in India was V.V. Giri who always used to plead to substitute collective bargaining for compulsory adjudication. This came to be known as the Giri approach. .

The Collective bargaining trends are still on the infant stage in India. Plant level agreements are made generally than industry level agreements. Only in manufacturing and commercial establishments plant level agreements are entered into. Few industries such as plantation and textile industry have industry level agreements. National level agreements are not found in the private sector. But, in the public sector namely Indian Railways, Post of telegraphs and ordinance factories national level agreements are found.

The collective bargaining agreements in India are generally time consuming, and very difficult bargaining nature. The unions refer these method of bargaining, because the workers may brand them as pro-establishment if they do not bargain the hard way. Moreover, they feel that the first offer of the management can never be full, final and fair. They think they should not settle at the first offer, but should go on bargaining for better terms. The unions also adopt delaying tactics in order to prolong disports. Prolongation of dispirits enables the workers to become united. When the bargain is clinched on favourable terms after a entry process the become very happy.

Model Questions

1. Explain the composition and functions of Wage Board.

2. Evaluate the working of Wage Boards in India.

3. What are Wage Boards? Point out their objectives.

4. Discuss the nature, structure and role of collective bargaining. Outline an ideal process of collective bargaining.

5. Define collective bargaining. Differentiate it from co–operation.

6. Explain the collective bargaining process.

7. What are the pre-requisites of successful collective bargaining?

8. What is collective bargaining? How to make it more effective in India.

9. Explain the role of collective bargaining in the settlement of industrial disputes.

UNIT - 5

WAGE FIXATION

"Capacity of the Industry to Pay"

It may be difficult to determine an individual industry's capacity to pay. Further capacity to pay may differ from industry to industry. As such no wage structure can be formed. This is doubly harmful. Since dissatisfaction results in when labour is paid lower rates and turnover will also increase, both being harmful to the industry. Another point also deserves mention. Any saving that may result from efficient management will go to the workers, though not because the management happens to be efficient, intelligent and painstaking. The capacity to pay is not a satisfactory opinion since the sincerity in the employers' acts are always under suspicion.

If the capacity to pay principle is accepted, it has to keep in view that the fair return on capital and remuneration, to the management and fair allocation to reserves and depreciation. in order to keep the industry financially sound. Thus, if with the above consideration, the principle of offering more employment and maintaining production level with efficiency is to be kept in mind, the principle of capacity to pay cannot yield any satisfactory results.

The productivity of an industry is the source from which the wages are paid, and neither pressure from powerful trade unions nor any manipulation of state established system can, except temporaily, raise real wages beyond the capacity to pay, without bringing painful results, usually unemployment or inflation. For a time the wages in an industry may be forced so high that its capital cannot be fully replaced as it wears out, but this must result in less production and therefore lower wage in future.

Whenever high wages are demanded by labour, the employers come forward with the excuse that the industries are unable to pay more wages. On the other land workers insist on the point of "economy of high wages". The economy of high wages stands on the ground that higher the wages, the higher will be capacity of the industry to pay them. With higher wages the efficiency of the workers will improve, and hence, the cost of production per unit will decrease which leads to the introduction of the improved methods of production. The prices will also fall, the demand will increase, the markets will extend, and the production will again increase. This circle will go on revolving in this manner and will ultimately result in huge profits. Thus, the capacity of the industry to pay will be higher and higher.

Some other considerations in determining the capacity of the industry to pay have also to be kept in mind. The wages of low paid workers can be increased by redistribution of the wages of all the workers it is possible only if the wages of the skilled workers are very high and there is some possibility of reduction. Besides, another problem also arises that the capacity to pay should be determined with reference to the type of firm. The employers will always insist on normal profits, while the workers will always deny it. There is also the question whether the capacity of the industry to pay means the capacity of a particular unit of industry. Secondly, the capacity of a particular industry as a whole. Thirdly, the capacity of all the industries in the country to pay. These difficulties have to be kept in mind, before deciding the question of the capacity of the industry to pay.

Measuring the Capacity to Pay:

1. Whether the wage fixing machinery should in determining the financial position of the employers, has to regard (a) a fair return on capital and remuneration to management and (b) a fair allocation to reserves and depreciation so as to keep the industry in healthy condition, and

2. Whether the fair wage should be paid at all costs and the industry must go on paying such wage as long as it does not encroach on the capacity to pay such wages.

The courts do take into account the capacity to pay in settling wage disputes. The following factors govern the principles of capacity to pay

1. in the determination of minimum wages the capacity to pay in not a decisive factor. Probably, it is necessary to study whether the payment of even the minimum wage is usually burdening the industry.

2. in fixing the rates and scales above the minimum, the capacity to pay is an essential consideration.

3. The capacity of an industry to pay wages has to be measured in terms of factors like profitability, elasticity of demand for the product, and possibility of lightening up the organisation, and

4. The capacity to pay is to be considered on an industry-cum basis.

Labour Productivity

Productivity is an act which matters in the life of labourers and development of the economy. Productivity of labour means the amount produced by a labourer per unit of time in a particular economy.

Productivity denotes the efficiency, economy and the best organisation of the productive resources. It is distinct from production in the sense of volume of output. It implies first only an economical use of available resources, but also the development of new methods and resources. Increased productivity should therefore, mean "better quality goods at lower prices to the consumers with higher wages and better conditions of service for the workers. Rationalisation of effort in every direction is the true basis of productivity".

According to the Labour Bureau, labour productivity is obtained as the ratio of physical output to the labour input. It does not, however, take into consideration the increase in the intrinsic efficiency of the labour. It is thus influenced by technological improvements, role of operation, efficiency of alternative processes, availability of supplies, employer – employee relations, efficiency of the management, etc. In the opinion of the ILO the following factors influence productivity.

1. Plant and equipment
2. Organisation and control of production..
3. Personal policy.

However, productivity is distinct from "rationalisation" which means centralised control and mechanisation, as also modernisation and standardisation. The ILO productivity Mission in India observed that productivity does not mean mechanisation. Rather it is development of scientific attitude on the part of management as well as labour. Besides, the environment plays the role of a stabilizer to an appliance cooperated by electricity. Rising levels of productivity are the sources of rising levels of living of the workers and every section of the society. A nation can plan for progress only by taking steps to increase the efficiency of the factors or resources of production.

Productivity is the ratio between the output of a given commodity measured by its volume and one or more of the input factors, also measured by their volumes. The ILO's formal definition of productivity is that it is "the ratio between the output of wealth produced and the input of resources used up in the process of production".

Classification of Productivity

Actual Productivity is the current level of productivity that may be higher or lower than the desired rate of productivity. Potential Productivity is the rate of efficiency (productivity) of productive enterprises that we would like to achieve in order to accomplish a desired rate of economic growth. Volume Productivity refers to the cost concept. When production is undertaken on a large scale, unit cost (fixed cost) tends to decline On the contrary, when production diminishes, unit cost is expected to go up. Two things have to be noted in appreciating volume productivity factors, first that productivity does not automatically rise with large-scale output merely because unit costs happen to be low and second, that productivity may remain unaltered over a period of time because low cost does not mean higher productivity. Real Productivity has to do with a basic and permanent change in the volume of output, which can be obtained by the use of a given amount of labour. Changes in the technique and organisation of production might affect real productivity.

Labour Productivity

It is the ratio of output to labour input. Labour is the major yardstick of productivity measurement. This is not correct, because productivity represents the input and output ratio and since there are various inputs besides labour. Labour factor cannot become the sole determinant of productivity. John W. Kendrick, criticised output per man-hour, i.e, the so-called labour productivity as an indicator of overall productivity on the ground that it reflects not only changes in overall productive efficiency but inter-factor substitution. The practice of employing labour alone as the input factor in working out productivity statistics has grown up mainly because of two reasons. One, in most countries of the West, labour being scarce, attention focuses on labour as the trade unions are a factor to be reckoned with and second, data on the basis of man-hours are more readily available than any on other input factor.

Techniques or Tools of Productivity -Their Role

The generic term "Productivity Techniques" incorporates scientific technique which vary from the simplest to the most sophisticated ones. They cover areas requiring just organised 'creative thinking' to the most advanced ones of electronic computers. Some of these are not at all expensive while others require huge investments. In view of a wide variety of these techniques and their evolving nature their complete enumeration is not possible. However, some important techniques which have a direct bearing on the managerial competence and overall performance of the organisation could be indicated.

Industrial Engineering

It has a great relevance in accomplishing tangible results through the application of basic scientific and engineering knowledge and the application of analytical rigour to the methods of operating and organising Industry. It could be defined as an activity which gives a scientific basis to the decisions regarding - what to produce, the product design, standardisation, the cost analysis, the methods of production and investigation, planning and control of production, layout of the plant, handling of materials, etc.

Work Study

In its widest connotation it is a ruthlessly analytical and inquisitive approach to the use of manpower, materials and equipment coupled with a constant quest for improving the existing methods. It embraces the techniques of method study and work measurement. Method study is the systematic recording analysis and critical examination of existing and proposed ways doing work and the development and application of easier and more effective methods. Work measurement, on the other, is concerned with the application of techniques designed to establish the work content of a specified task by determining the time required for carrying it out at a defined standard of performance by a qualified worker.

Operative Research

It is a science which describes the behaviour of man-machine systems through proper understanding and prediction. It assesses the overall implications of various courses of action. In a management system for arriving at improved managerial decisions. It is a valuable aid in the resolution of the problems of salesman, for regulating advertisement budgets, designing bonus system, improved inventory and re-ordering policies, etc. The tools and techniques deployed in the OR include common mathematical and statistical procedures, cost analysis or electronic computers, linear programming, simulation models, etc.

Quality Control.

It is a technique which applies in practical terms the principles of statistics and probability theories to everyday problems. Total quality control represents the system for integrating the quality development, quality maintenance and quality improvements of various groups in an organisation so as to enable production and services at the most economical level for consumer satisfaction. As against total quality control the aim of quality control is to provide a product that is satisfactory, adequate, dependable and economical. The difference between the OR and the QC essentially lies in the fact that the OR is a decision making tool at the management level while the latter has its basis on the shop floor.

Production Planning & Control

It is an important management function which helps establish levels or limits of manufacturing operations over a period of time. It gives due consideration to the sales forecasts, man power requirements, materials and equipment requirements. etc.

Incentives & Motivation

Human beings are only motivated by a complex of stimulants -economic, social and psychological.. The purpose of incentives is to motivate the worker to give his best. Incentive-wage plans are thus aimed at improving the efficiency of worker by making him work more effectively with less wastage of time, at a faster pace and with better job application.

In brief, the basis of approach at the enterprise level for rise in productivity has to be related to the optimum utilization of plant and equipment (or material resources), rational utilization of manpower resources and management development.

DETERMINANTS OF PRODUCTIVITY

According to the ILO., the problem of increasing productivity is one of making efficient use of all types of resources in employments. As such, the factors that influence productivity changes have a close bearing the nature and quality of the factors of production and on the way they are put to use.

Technology

Real gains in productivity essentially stem from the advance in science and technology. The application of mechanical power, use of highly specialised and automated machines, efficient and integrated plants introduction of specialisation in work and output are the dominant features of modern industry which ensure significant advances in industrial productivity.

Quality of Labour Force

Equally, significant is the availability of adequately skilled labour force. Technical education is highly important to the attainment of a higher level of productivity. Work habits and discipline also count a lot in underdeveloped economies. It is not only that, in the absence of the facilities of technical training, the labour is not skilled; it is also without proper work habits and discipline.

Capital Resources

Higher capital stock per worker facilitates the introduction of new technical improvements and innovation. Higher the ratio of capital stock to work force, the greater wil be the national product. The greater the national product, the higher will be the quantum and rate of capital formation leading, in its turn. to higher productivity.

Natural Resources

Easy access to sufficient raw materials paves the way to industrial development. The position of the United States and Russia is a case in point. The climate also is a significant factor influenceing industrial efficiency and productivity.

Social Structure and Attitudes

In the less developed countries of the world, the social institutions and attitudes are not conducive to improvements in production structure and productivity. In Asian nations, society remains fragmented in many ways. Social institutions such as family, taboos, prohibitions and the like act as checks on production and productivity. Economic organisation also remains ineffective and defective as a result of backward-looking social institution and attitudes.

Management

Among the determinants of productivity, pride of place is given to organization and management. As Professor Myers observes, "The structure and philosophy of management in an enterprise are important determinants, perhaps, the determinants, of enterprise's efficiency and hence of labour productivity".

Government Policies

In the 20th century, with its expanding and all pervading powers, Government significantly influences industrial productivity through its taxation, expenditure, tariff, subsidies and incentives and other administrative procedures and policies.

PRODUCTIVITY IN INDIAN INDUSTRY

The level of productivity in the major manufacturing industries in India continues to be low compared with the corresponding levels of productivity in developed countries.

Iron and Steel Industry

The data collected by International Metal Workers Federation in course of their Annual Survey for 1961 and quoted by the Central Wage Board for Iron and Steel Industry, show that labour productivity in this industry, in terms of ingot tones per man year, is about one-third to one-half of the productivity in advanced countries. The low labour productivity in iron and steel industry is due to two reasons. First, the extent of utilization of the installed capacity is generally poor. The second in fact, even more important reason for low productivity, is the much larger labour force employed in the Indian Plant than that employed in comparable plants in other countries.

Coal Industry

While the level of productivity in coal mines in India is the lowest in the world, the rate of annual increase appears trivial compared to those obtaining in other countries. Output per man-shift (O.M.S.) is considered to be the only feasible measure of productivity in the mining industry. Analyzing productivity trends, rate of mechanization that has taken place in our mines and the large increase in the use of explosives, the annual production of coal per every person employed in the industry is only slightly above that of 35 years ago: 165 tones compared to 136 tones, that is, an improvement of only 21 per cent

Cotton Textiles Industry

Productivity in the cotton textiles industry in India has been under study for a long time since textiles is one of our oldest industries. The Indian Tariff Board (1927) estimated that British worker in Lancashire looked after 540 to 600 spindles, whereas Indian worker tended only from 175 to 270 spindles. In the case of weaving, while British worker handled 4 ordinary looms the Indian worker looked after only one or two. The number of workers employed per 1,000 spindles up to spindle point varies from 4 to 10 in India as against 1.5 to 4.5 in Japan.

Cement Industry

The first Central Wage Board for the Cement Industry (1959), which produced a really competent report and collected plenty of information found that the productivity of labour in cement industry was very low. According to a publication entitled. "Financial Trends and Productivity in the Cement Industry" issued by the Association of Indian Trade and Industry, the installed capacity per employee in 1957 was over 1,400 tones in Holland, Belgium, and the U.S.A., as against about 148 tones in India. The total number of man-hours required per ton of cement output in 1957 was 1.50 in the U.S.A., 1.53 in Belgium and 1.75 in Japan. In India it was probably "more than ten times in the case of the U.S.A'. The National Productivity Council set up a tripartite study group to examine the productivity in the industry. This group summed up its findings: "The man-hours per tonne of cement produced in India is 10.18. It is very alarming to note that it is nowhere near the corresponding figures of U.K., U.S.A., and Japan our machinery for cement production is in no way inferior to the machinery installed in other countries. But, our labour is under a peculiar conventional disability. A person doing a particular job will attend to that job alone and to none other even if he has plenty of time.

The Study Group on Productivity and Incentives, therefore, rightly observed that within the limitations of Indian conditions themselves the level of labour productivity (or man power utilisation) is only 40 to 50 per cent of what is immediately possible.

Productivity of Capital or Investment

In the conceptual framework of the Second Plan, it was expected that with the initial emphasis on capital-intensive industries, the Incremental Capital Output Ratio (ICOR) would be substantially high, but with the creation of the "heavy investment sector", would come into existence after a period of 10 to 12 years. This however, has not happened. There is enough evidence to maintain that the capacity and capability of Indian economic system to extract a high rate of return from its massive investments in industry and its correlated sector of power generation has diminished even more sharply during the decade of the 1970's.

Beginning with the early 1960's there has been a very sharp decline in the productivity of investments in the manufacturing and power-generation sectors of the Indian economy.

A Study carried out by the National productivity Council also indicates that there has been a sharp decline in the value added per worker in Indian industry and mining.

The sharp and continuous decline in the productivity of investments in the Indian manufacturing, mining and power-generation sectors must occupy the foremost attention of the planners, the policy makers and the industrial managers.

Productivity Movement in India:

A ILO Study Team visiting India in 1954 arrived at the following suggestions after visiting some textile mills in Ahmedabad and Bombay and some engineering companies in Calcutta.

1. In order to improve upon the output and to faster congenial relations between the employers and the workers, work study techniques should be gainfully applied.

2. Even without capital investment, productivity can be improved.

3. If the Industry is to have increased productivity, conditions of work in the factory must change for the better.

The National productivity council had constituted a large number of productivity teams and training courses for increasing production and wages.

Internal Alignment (Job Evaluation)

Internal alignment means that there should be a proper relationship between the wages of various positions within the enterprise. Internal alignment is concerned with the concept of equity. The internal alignment of rates is not correct. There is iniquity in the rates. In other words, the relative wages of an employee are almost as important for him as his absolute wages. Unfair differentials in pay lower his morale and often results in high turnover. It is the corner-stone of a formal wage programme. The central purpose of job evaluation is to determine the relative worth of the job of an enterprise. Fair pay differentials among jobs can be established. Any existing pay iniquities can be corrected and future iniquities can be prevented.

The introduction of scientific management techniques facilitates an analysis of the skill and training required for a job. This method is called job evaluation. It helps to identify with precision the key tasks especially in measurable, output-oriented jobs.

Job Evaluation is the Outcome of Job Analysis

Job analysis provides the information necessary for appraising or evaluating a Job like tasks to be performed in a Job skill, knowledge abilities, aptitude etc., necessary to carry out the tasks, responsibilities, authority and accountability and the requirements to perform a Job successfully. Job description and Job specification and employee specification are three sub-systems of Job analysis. Job description provides the information relating to duties and responsibilities of a Job. Job specification gives the information relating to minimum acceptable human qualities like knowledge and skill necessary to perform a Job. Employee specification indicates employee qualification like physical, educational, behavioural, etc., which represent the possession of minimum acceptable human qualities. Thus, Job analysis provides information necessary for Job evaluation.

External Alignment (Wage Survey)

These surveys are useful for setting wage rates, in retaining employees and in providing information about wage levels of competing firms in the area. Data from these surveys are used in conjunction with a variety of other factors, like existing salary grades, company philosophy on wage, union's 'pushfulness', technology and the economic status of the firm. Once the relating worth of each job has been establishing through the job evaluation managements next task is to make a comparison of present company wage rates with those being paid in the community for comparable jobs. The wages and salaries of workers must be in alignment with the wages other organisations are paying at similar levels. If this external alignment or comparability is lacking the organisation will not be able to retain its capable employees or attract employees from outside. The need to achieve external alignment is highest in times of full employment when due to shortage of labour a new worker can choose among employees and when older employees can transfer to jobs elsewhere.

It is not always essential for the management to fix its wage level at the average level of the community. Guided by its own wisdom it may decide a higher or a lower level of wages for itself. In other case the internal relationship among jobs must remain undisturbed. Management may decide to pay above wage level,

-when it wants to choose employees from a wider reservoir of talents.
-when qualified personnel are in short supply.
-when it wants to gain reputation in the community as a good employer.
-when there is union pressure on it to pay high wages.
-when it wants to keep the union out.
-when wages are linked to productivity which is rising, and
-when there is an escalator clause and the cost of living is going up. Wage rates automatically increase or decrease periodically with changes in the cost of living as measured by some agreed upon index.

Average rates may be decided

-when there is abundance of labour,
-when the enterprise is incurring losses,
-when the cost of living is going down,
-when the enterprise has the reputation of being a stable employer with no layoffs.

Problems and Issues of Wage Determination

The Bhoothalingam Committee found that the private organized sector has, on an average, a per capital wage which is approximately three/four times higher than the national per capital wage. There are other sectors like the unorganised industrial and agricultural sectors, where the situation is quite different. In a labour surplus economy, once worker is in the organised sector, his wages and other benefits so are above his unemployed or less well employed counterparts. According to Palkivala, the wage earner constitutes the top 5% of India's income earning group.

It would not be possible to do away with wage differentials altogether. Depending on the availability of skills, there will be some differentials on that account. The Bhoothalingam Committee, which examined this aspect of the problem, addressed itself to evolving reasonable wage differentials between different kinds of jobs. From a long-term point of view, it is necessary to evolve a mechanism for adjustment of wages in relation to the changed economic situation. The current situation may require narrowing down some of these differentials and accommodating at a higher-level the newly emergent complexities of certain skills. Many work place conflict situations have been ascribed to this phenomenon. The Bhoothalingam Committee also realised the difficulties involved in such nationalisation, when it spoke of the evolution of skill 'rights' in this regard.

In developed countries, norms or guidelines for wage increases in line with productivity increases are indicated. In India wage increases are the result of a combination of factors like profitability increases in cost of living, union bargaining strength and government regulations.

If collective bargaining accepted as the mechanism that should evolve over time to determine wages, then it would include wage differentials for skills, output and performance, according to the Bhoothalingam Committee. Job evaluation schemes, eventually, get tied into the collective bargaining process, as has been the experience in developed countries. In such cases the wage structure in the long run tends to be more equitable, rational and stable.

There are wide variations and disparities in spite of the jobs being similar or nearly similar. In order to begin the process of rationalisation and correct some of the distortions, the first step would be to standardise occupations with precise titles, obtain job descriptions, and undertake job evaluation. In the implementation of job evaluation schemes, there are, apprehensions and resistance by the workers and unions to be overcome.

This is one area for a policy to be laid down, the other is with regard to the differentials between managers and workers should there be clear guidelines on the differential ratios. The Government has laid down salary and perquisite guidelines for company directors. These are administrative guidelines approved by the sanctioning ministry, which has to approve the contracts of directors.

The Bhoothalingam Committee suggested a variety of measures on this issue. There was to be a limit to salaries and perquisites, with a more thorough costing of perquisites. The differential between the lowest and highest salary was to be in the range of 1:10. The Sachar Committee (a high-powered expert committee on companies and MRTP Act, 1978, chaired by R. Sachar) suggested that the role of the government in fixing top management's salaries should be reduded. The Bhootharingam Committee suggested the setting up of a National Pay Commission, whereas the Sachar Committee suggested that corporate annual general meetings should be the forum to work out the details, within the norms prescribed.

At the enterprise level, if wage rationalisation is an objective, in order to eliminate wage inequities and the consequent injustices, the implementation of job evaluation schemes has been found to be of some help in overcoming them.

Job Clusters and Wage Contours

The wage structure or grade is composed of Jobs of approximately equal difficulty or importance as determined by Job evaluation. If the point method of Job evaluation is used, the pay grade consists of Jobs falling within a 'range of points. If the factor comparison plan is used, the grade consists of a range of evaluated wage rates (or points, if the wage rates are converted to points). If the ranking plan is used, the grade consists of a specific number of ranks. If classification system is used, the Jobs are already categorised into class or grades.

Wage Fixation Process

Usually, as would be clear from the following figure, involved in determining wage rates are;

Job Analysis
Wage Legislation

Job Description & Job Evaluation
Specification
Wage Surveys
& Analysis of
Relevant to
Organisational
Problems
Wage Structure
Rules of
Administration

Performance Standard,
Differential
Employee Appraisal
Wage Payments

Steps Involved in Fixation of Wage

The process of Job analysis results in Job descriptions which lead to Job specifications. A Job analysis describes the duties responsibilities, working conditions and inter-relationships between the Job as it is and the other jobs with which it is associated. It attempts to record and analyse details concerning the training skills, required efforts, qualifications, abilities, experience and responsibilities, expected of an employee. After determining the job specifications the actual process of grading, rating or evaluating the job occurs. A job is rated in order to determine its value relative to all the other jobs in the organisation which are subject to evaluation. The next step is that of providing the job with a price. This involves converting the relative job values into specific monetary values of translating the job classes into rate ranges.

Wage Surveys

Once the relative worth of jobs has been determined by job evaluation, the actual amounts to be paid must be determined. This is done by making wage or salary survey in the area concerned.

These surveys may be carried out by mailed questionnaire, telephone or personal interviews with other managers and personal agencies.

A wage survey to be useful, must satisfy these points.

a. **Frequency** affected by rapidity of changes, current and contemplated once per year is common.

b. **Scope** (number of firms) influenced by the geographic area from which people are drawn, the number of units competing for this labour, accuracy requirements and willingness of organisations to share information

c. **Accuracy** The greater the accuracy and details needed, the greater the requirements for careful description and specification and surveyor's reliance on person-to-person interviewing rather than mailed questionnaires.

Such wage surveys provide many kinds of useful information about differences in wage levels for particular kinds of information. This can have a great influence on an organisations compensation policy.

Relevant Organisation Problem

In addition to the results of Job analysis and wage surveys, several other variables should be given due consideration in establishing wage structure. Belcher has listed 108 variables which can affect levels of compensation and the wage structure.

Preparation of Wage Structure

The next step is to determine the wage structure. Some authorities feel that there should be only one comprehensive 'pay grade' for each organisation.

Several wage structures are developed-one for each type of Job or describes Job cluster. Dunlop describes the cluster concept as follows:

A Job cluster is defined as a stable group of Job classifications or work assignments within a firm which are linked together by 1) technology 2) the administrative organisation of the production process, including policies of transfer, layoff, and promotion or 3) social custom that they have common wage making characteristics.

Certain Job clusters may be more closely related to some rather than to other clusters. In this sense, clerical rates as a whole may be closely related to other clerical rates than to managerial or factory rates.

Livernash described that broad groups may be illustrated within manufacturing as: (1) managerial-executive, administrative professional and supervisory (2) clerical and (3) factory within each broad group. Narrower groups are obvious. Within the factory group are maintenance inspection, transportation and production. Within production are certain smaller groups, varying with the nature of the industry.

This indicates the need for having several pay ranges for each organisation. Such a range usually has several advantages.

1) The management can take a more flexible stance with respect to the labour market.

2) It makes it easier to attract experienced employees from other organisation.

3) It helps to ensure that there is an overlap between the pay rates and those prevailing in the labour market

4) It also allows the management to provide for performance differences between employees.

While determining pay ranges the following consideration should be attended to:

1. It is important to keep in mind that there is an adequate differential between superiors and sub-ordinates-whether they are paid under the same pay plan or under different ones.

2. When the pay range of one group is changed, equal attention must be given to the pay-level of the other.

3. Because of the continuous rise in wage and salary levels and a rise resulting from a variety of environmental pressures considerable attention must be given to handling upward changes in wage structure. way is to make general adjustments in wage structure according to the price of index number.

4. The existing pay structure should be regularly reviewed and revised. This will make job evaluation programme more acceptable to employees.

5. Regional differences in wages should invariably be maintained. Forces that favour regional differences are; low mobility, lower skill jobs, major cost of living differences between areas, added sources of income or characteristics (rural versus urban or industrial) seasonal, occupations as in agriculture versus stable occupations.

Wage Administration Rules

The development of rules of wage administration has to be done, after the rate ranges have been determined. After the next stage, the employees are to be informed of the details of wage and salary programme. It is considered advisable, in the interest of the concern and the employees, that the information about average salaries and ranges in the salaries of group should be made known to the employees concerned; for secrecy in this matter may create dissatisfaction; and it may also vitiate the potential motivating effects of disclosure. Finally, the employee is appraised and the wage fixed for the grade he is found fit.

Prevailing Market Rate

This is also known as the 'comparable wage or going wage rate' and is the most widely used criterion. An organisation's compensation policies generally tend to confirm to the wage rates payable by the industry and the community. This is done for several reasons. Firstly, competition demands that competitions adhere to the same relative wage level. Secondly, various government laws and judicial decisions make the adoption of uniform wage rates an attractive proposition. Thirdly, trade unions encourage this practice so that their members can have equal pay for equal work and geographical differences may be eliminated. Fourthly, functionally related forms in the same industry required essentially the same quality of employees, with the same skills and experience. This results in a considerable uniformity in wage and salary rates. Finally, if the same or about the same general rates of wages are not paid to the employees as are paid by the organisation's competitors, it will not be able to attract and maintain a sufficient quantity and quality of man power.

Cost of living

The cost of living pay criterion is usually regarded as an automatic minimum equity pay criterion. This criterion calls for pay adjustments based on increases or decreases in an acceptable cost of living index. In recognition of the influence of the cost of living "escalator clauses" are written into labour contracts. When the cost of living increases workers and trade unions demand adjusted wages to offset the erosion of real wages.

The living wage criterion means that wages paid should be adequate to enable an employee to maintain himself and his family at a reasonable level of existence. However, employers do not generally favour using the concept of living wage as a guide towage determination because they prefer to base the wages of an employee on his contribution rather than on his need.

Trade Union's Bargaining Power

A trade union's bargaining power is often measured in terms of its membership, its financial strength and the nature of its leadership. A strike or a threat of a strike is the most powerful weapon used by it. Some times trade unions force wages up faster than increases in productivity would allow and become responsible for unemployment or higher prices and inflation.

Job Requirements:

Generally, the more difficult a job, the higher are the wages. Measures of job difficult are frequently used when the relative value of one Job to another in an organisation is to be ascertained. Jobs are graded according to the relative skill, effort, responsibility and job conditions required.

Managerial Attitudes:

Laster observes, "Top management's desire to maintain or enhance the company's prestige has been a major factor in the wage policy of a number of firms. Desires to improve or maintain morale, to attract high-caliber employees, to reduce turnover, and to provide a high living standard for employees as far as possible, also appear to be factors in management's wage policy decisions.

Psychological and Social Factors

Psychologically, persons perceive the level of wages as a measure of success In life, people may feel secure, have an inferiority complex, seem inadequate or feel the reverse of all these. They may or may not take pride in their work or in the wages they get. Therefore, these things should not be overlooked by the management in establishing wage rates. Sociologically and ethically, people feel that 'equal work should carry equal wages' that wages should be commensurate with their efforts, that they are not exploited and that no distinction is made on the basis of caste, colour, sex or religion. To satisfy the conditions of equity, fairness and justice, a management should take these factors into consideration.

Administration of Wage Fixation

Wage and salary administration should be controlled by some proper agency. This responsibility may be entrusted to the personnel department or the general company organisation or to some job executive. Usually entrusted to a committee composed of high ranking executives representing major line organisations. The major functions of such committee are:

1. Approved and/or recommendation to management on job evaluation methods and findings.
2. Review and recommendation of basic wage and salary structure.
3. Help in the formulation of wage policies.
4. Review of budget estimates for wage and salary adjustments and increases.

This committee should be supported by the advice of the technical staff. Such staff committees may be for Job evaluation, Job description, merit rating, wage and salary surveys in an industry, and for a review of present wage rates, procedure and policies.

Principles of Wage and Salary Administration

The generally accepted principles governing the fixation of wages and salary are;

1. There should be a definite plan to ensure that differences in pay for Jobs are based upon variations in Job requirements, such as skill, effort, responsibility or Job or working conditions and mental and physical requirements.

2. The general level of wages and salaries should be reasonably in line with that prevailing in the labour market.

3. The plan should carefully distinguish between Job and employees. A Job carries a certain wage rate, and a person is assigned to fill it at that rate.

4. Equal pay for equal work, i.e., if two Jobs have equal difficulty requirements, the pay should be the same, regardless of who fills them.

5. An equitable practice should be adopted for the recognition of individual differences in ability and contribution.

6. There should be a clearly established procedure for hearing and adjusting wage complaints. This may be integrated with the regular grievance procedure, if it exists.

7. If there is trade union, it should be informed about the procedure used to establish wage rates. Every employee should be informed of his own position, and of the wage and salary structure.

8. The wage should be sufficient to ensure for the worker and his family reasonable standard of living. Workers should receive a guaranteed minimum wage to protect them against conditions beyond their control.

9. The wage and salary structure should be, flexible so that changing conditions can be easily met.

10. Prompt and correct payments of the dues of the employees must be ensured and arrears of payment should not accumulate.

11. For revision of wages, a wage committee should always be preferred to the individual judgement, however unbiased a manager may be.

12. The wage and salary payments must fulfill a wide variety of human needs, including the need for self-actualisation. It has been recognised that money is the only form of incentive which is wholly negotiable, appealing to the widest possible range of seekers.

Wage Policy

After Independence, the Industrial Policy Resolution (1948) emphasised the following areas of concern:

(i) the need to determine statutory minimum wages in the sweated industries;

(ii) to move from the minimum wage concept to the fair wage-concept in the more organised sector.

The Government set up the Committee on Fair Wages to examine and make recommendations, regarding the level of wages which was categorised into minimum wage, fair wage and living wage.

The Government has also set up three pay commissions so far to review the wages and salaries of Central Government employees. However, these commissions have had to work in a given context, therefore their recommendations are bound to have repercussion on other sectors and vice versa. The five-year plans spelt out the government's intention a variety of labour matters, including wages.

The National Commission on Labour (NCL) suggested five indicators to assess wage policy. They were: industrial harmony, level of living, changes in productivity, impact on prices, and share of wages.

The number of man days lost due to wage-related issues, as has been seen, constitutes a major component in the total man-days lost.

The gross wages or the per capita average wages for workers have generally shown an upward trend but the real wages have however, been going down. The delay by the tribunals in giving their awards has further aggravated the problem of erosion of the workers' real wages.

The NCL goes further on to link the drop in real wages with the growth in productivity of the Indian worker. The NCL felt that in spite of the difficulties in measuring productivity and the related. Contribution of an individual worker it was still possible to conclude that the productivity of the Indian worker had gone up for the period under review. The impact of wages on prices and hence on cost of production has been negative.

Some policy issues for consideration are:

1. Whether we should have a low wage system especially in a labour surplus economy like ours and consequently generate more employment. Alternatively, we could have a high wage system and consequently low employment, which may not be relevant in the Indian context.

2. There is a certain 'dualism' in the wage structure, between the large scale, modern organized sector and the small entrepreneur. If these differentials between the 'high' and 'low' (in relative terms as even the low here is much higher than the poverty line categories) are not maintained then there is a possibility that the small units find it hard to survive. The NCL has said

that this dualism is inevitable and desirable. It has also gone on to recommend that scientific job description and job evaluation studies should be undertaken to reduce differentials and 'standardise job classifications' wherever necessary.

3. There is a need for policy guidelines to protect and enhance the real wages of workers. A comprehensive policy needs to be worked out on the mode and extent of neutralisation of DA. There are many indices being used at present. The NCL suggested that due attention should be given to price control, which if kept in check would not erode wages and wage increases could be linked to the rate of increase of productivity. The Bhoothalingam Committee also recommended wage links in relation to productivity and also recommended DA neutralization on a point system.

4. The next issue for consideration is whether wage policy is to be centralised with the Central Government, initiating all legislation. Or should it be decentralised? The present practice is a combination. It is decentralised to the extent that the tribunals, wage boards, high courts and the Supreme Court also come Into policy evolution and modification.

5. Are wages to be delinked from productivity? A related sub-area would be the choice of technology, capital or if it should be labour intensive. If wages are to be linked to productivity, the mechanism to measure productivity norms and wage increases need to be spelt out. Finally, even if the above issues are sorted out, they will not be held in check if the price spiral or rate of inflation is not brought under control.

6. The need to foster tripartite mechanisms like collective bargaining, with the government only posting guidelines on the quantum of wage hikes, in the initial phases only.

The term 'wage policy' refers to legislation or Government action undertaken to regulate the level or structure of wages, or both for the purpose of achieving specific objectives of social economic policy. The social objectives of wage policy may aim at eliminating the exceptionally low wages, the establishing of fair standards, the protection of wage earners from the impact of inflationary tendencies; and at increasing the economic welfare of the community as a whole. "The social and economic, aspects of wage policy are normally inter-related; measures inspired by social consideration inevitably have economic effects and action designed to achieve specific economic results has social implications. When the social and economic implications of measures of wage-policy conflict, a choice has to be made.

A wage policy may be viewed from three different angles. At the macro economic level, the problem is that of resolving the conflict between the objectives of an immediate rise in the standard of living of workers, additional employment and capital formation. At the semi-aggregative level, the problem is that of evolving a wage structure which is conducive to economic development. At the plant level, the problem is that of a system which provides incentives to increasing productivity and, improving the quality of workers.

Objectives of a Wage Policy

The ILO publication has enumerated the following objectives of a wage policy in developing countries:

1. to abolish malpractices and abuses in wage payment;
2. to set minimum wages for workers whose bargaining position is weak because they are unorganised or inefficient organised, accompanied by separate measures to promote the growth of trade unions and collective bargaining;
3. to obtain for the workers a just share in the fruits of economic development, supplemented by appropriate measures to keep workers' expenditure on consumption goods in step with available supplies so as to minimize inflationary pressure; and
4. to bring about a more efficient allocation and utilisation of manpower through wage differentials and where appropriate systems of payment by results.

In India, the objectives of a national wage policy may be stated thus:

1. Provision of Minimum Wages in Sweated Industries.

In a country like India, where labourers are exploited in the sweated industries, the basic need is to provide for "safety net" wages to prevent its exploitation. The fixing of minimum wage is also necessary to boost up industrial employment partly to smooth the flow of labour from the farm to expanding modern industries; and, partly to cover the differentials in wage rates so that wages paid to employees doing identical work are rationalised.

2. Fixation of Wage Ceilings

Ceilings on wages need be fixed to save employees from the pinch of inflationary tendency that follow from uncontrolled price movement. The workers should get a just share in the fruits of economic development and increased productivity. Productivity and efficiency can be boosted by giving incentives to them and by improving the investment capacity of industries by ploughing back a part of the profit in the industry.

3. Improvement in Existing Wage Structure

Desirable rational wage structure facilitates the acquisition of productivity skills, serves as an incentive to higher productivity and wage income, and encourages the allocation of labour to the expanding sectors of economy in which labour is in labour demand. Justice and fairness demand that a sound relationship should exist between rates of pay for different groups in similar occupations. The jobs which demand a higher degree of skill, training, experience, responsibility, mental and physical effort and hazards should be paid more than those having lower requirement.

4. Control over Inflationary Tendencies

Controlling inflationary pressures should be an essential element of wage policy, for increasing prices erode workers income and lower down their standard of living and ultimately cause industrial unrest. The wage policy should, therefore, aim at stabilising prices by tying wage increases to productivity.

5. Acceleration of Export Promotion

To get imports of essential capital goods, technical know-how, trained manpower and raw materials, foreign exchange need be earned by promoting exports through increased productivity of exportable goods and price stability or price reduction wherever possible. A wage policy should help to accelerate a nation's developmental process.

6. Other Objectives

(i) to bring social justice to workers and equal opportunities of personal development-through the development of socialistic pattern of society: as provided by the Directive Principles of the State Policy in the Constitution;

(ii) to maintain industrial peace, which cannot be achieved only through statutory measures and ban on strikes and lockouts and compulsory arbitration;

(iii) to provide guidance to various authorities charged with the task of wage fixation and revision;

(iv) to develop the skill of newly recruited industrial labour and other manpower resources.

Since Independence

The fifth Indian Labour conference (1943), and the Standing Labour Committee (1944) discussed the problem of the minimum wage fixation. In 1946, the Government adopted a three-fold wage policy which recommended:

(a) statutory prescription of minimum wages in sweated industries and occupations in agriculture,

(b) promotion of fair wages agreements.

(c) steps to secure for worker in plantations a living wage.

The Industrial Policy Resolution, 1948, emphasized that "a fair wage to a labour must be a first charge on industries." Accordingly, the Minimum Wages Act was enacted in 1948 to fix statutory minimum wages in sweated industry and a committee was set up on fair wages to determine the principles on which fair wages should be based and to suggest lines on which these principles could be applied. The Committee in its Report distinguished between three levels of wages, namely, minimum wage, and fair wage with a view to spelling out the immediate and ultimate policy goals. Between these two limits, the Committee further added that the actual wage would depend on the following factors:

1. the productivity of labour;

2. the prevailing rates of wages in the same or similar occupation in the same or neighbouring localities ;

3. the level of national income and its distribution, and

4. the place of the industry in the economy of the country.

The question of wage policy was given much importance in the Constitution of India. Article 43 says. "The State shall endeavour to secure by suitable legislation or economic organisation or in any other way, to all workers...work, a "living wage, conditions of work ensuring a decent standard of live and full enjoyment of leisure and social and cultural opportunities".

National Commission on Labour on Wage Policy

According to the N.C.L., "The main aim of a wage policy as we envisage it is to bring wages into conformity with the expectations of the working class and, in the process, seek to maximize wage employment."

"The income and wage policy that may be formulated has to take: into account the structural feature of the national economy (self-employment) and has to be in accord with the pattern of income generation and distribution as envisaged in the Plans. Our wage policy will comprise a set of principles of being consciously adopted to guide, by means legislation or otherwise, actions of Government as also of the parties vitally concerned",

Wage policy should aim at a progressive increase in real wages. Sustained improvement in real wages can be brought about by increasing productivity. This aims at widening and deepening on capital to raise, technology on the one hand and investment in human capital on the other.

Steps should, be taken to standardise job classifications and reduce differentials, wherever necessary, to suitable limits on a scientific basis. The determination of wages implies evolving and sustaining a wage structure which permits a fair remuneration to labour, permits a fair return to capital, and strengthens incentives to efficiency. In determination of wage differentials the capacity to pay becomes relevant. This calls for the creation of a wage regulating mechanism that should deal with both wage structure and its level from time to time.

In order to protect real wages from erosion, the level of money wages has to be adjusted to price changes. When dearness allowance is paid over and above the basic pay to take account of an increase in price, inflation is created. Hence, keeping living costs under check should form an integral part of wage policy

"Any wage policy to be effective has to take into account the existing practices in regard to methods and mode of paying wages as well as the machinery for wage determination. In the context of improving production and productivity, it will have to recongnise the role and feasibility of introduction of payment by results in particular lines of activity with necessary safeguards".

Thus, differential institutional arrangements for wage fixation may be needed for different groups. Commission/Boards for framing wage awards may be set up or bipartite arrangements for collective bargaining between workers and employers may be resorted to or a tripartite machinery may be instituted. All these can exist in the country depending upon the traditions and experiences which are built up for utilising them".

Summing up it may be observed that no serious attempt has so far been made at the level, for formulating a national wage policy and there does not appear to be a farmally proclaimed wage policy in India. The need for having a rational wage policy is long over due and is an imperative necessity, if for nothing else at best for maintaining good labour management relations.

In a national policy on wages the following objectives should be highlighted: The wages payable to the workers should be adequate so as to enable them to maintain a reasonable efficiency on the job.

Any sweating of labour should not be permitted in any industry. In industries where wages are unduly low, they should be raised to the minimum set and such payment of wages should be made a charge upon industry, The Government should ensure that production is mainly carried on by those firms which are able to pay reasonable wages. The State should assume the responsibility to fix wage structures related to the value of the work done as well as to the productive capacity of the workers.

Wage Policy in Developing Countries and Wage Policy in India

The evoluation of a rational wage policy is an uphill task particularly in an economy in transition wedded to democracy and socialism. There is therefore, need for understanding various contours of a rational wage structure. In all countries wage policy is not complex but also a sensitive public policy.

There is evidence that the economic principles which apply to wage problems are not well understood. No doubt our wages are regulated, but they are regulated in a haphazard manner. A wage policy consists of

1) a set mutually consistent and legitimate objectives

2) a scheme of variables to be used to meet them and

3) machinery required for it is yet to be evolved.

In a developing country like India, economic development has implication for wage policy formulation. A realistic wage policy" assumes added significance in countries like India suffering from inequalities in income, wealth and inflation. A national wage policy apart from reducing inter-industry and inter-regional disparities, should maintain a reasonable balance between wages and non-wage incomes in all sectors of the economy. It should aim at improving the wages of poorly paid and unorganised workers. While controlling inflation, wage policy should be able to provide more employment opportunities. It should work towards an appropriate choice of techniques so as to maximize employment at rising levels of productivity and wages. The National Commission on labour has observed.

The main aim of wage policy as we envisage is to bring wages into conformity with the expectations of the working class and, in the process seek to maximize wage employment. The wage policy has to be framed taking into account such factors as the price level which can be sustained, the employment level to be aimed at, requirement of social justice, and capital formation needed for growth.

The various difficulties involved in evolving a rational wage policy in developing economies are:

1. Economic development creates new technology and also tensions amongst various social groups for an increasing share of the rising national income.

2. With not so developed technology in these countries labour is less organised and less mobile. The modern theory of wages laying emphasis on productivity and efficiency is difficult to apply.

3. The social function of wages is not significant because it is not possible for wages to induce people to work and to move from less desirable areas to more desirable areas.

4. There are wide disparities between the real income of workers employed in towns and those employed in villages.

5. Owing to rapid population growth capital labour ratio may remain constant or may even fall.

6. It is also difficult to find out the marginal productivity of labour when most workers are unskilled. The marginal productivity under these conditions may be negligible, zero or even negative.

7. In most developing countries, cultural, traditional and psychological factors assume great importance than wage rates in determining the supply of labour.

8. The pattern of wages in different industries bears no relation to plan priorities. Most labour force is employed in the self-employment sector. As such, price incentive is more important than wage rates for economic progress, and

9. In the unorganised sector wages are generally low as they are mostly contractual, customary, institutional, conventional or Psychological.

So far as India is concerned, the unequal distribution of assets particularly in rural India has led to inequalities in income. The Ricardian system appears to be relevant to India. Over a period, the increase in income is found to have arisen mainly due to the increasing inequalities of wages and salaries.

Consumer Price Index Numbers (CPI):

Scope and Concept of CPI:

The expression "Cost of living India" is synonymous with "retail price index" or "Consumer price index" and there is little or no difference in their connotation, significance scope and meaning. These terms are used variously in various countries. It may however, be noted here that the purpose of these index numbers is to measure changes in levels of retail prices of goods and services bought and not in the levels of prices and standard of living together. In view if this, the Sixth International Conference of Labour Statisticians have recommended that " the term cost of living under should be replaced in appropriate circumstances by the term 'price of living index' 'Cost of living price index' or 'Consumer price index'.

It will be useful if the following scope of a particular cost of living index is specified:

(1) The groups of population covered -e.g., working class wage earners, low-salaried workers, middle class, civil servants, etc.

(2) The geographical areas covered -eg., urban areas, areas of a given size-group, a particular city, cities, etc.

It is necessary to define the scope of the indices in the manner indicated above because two indices representing changes in the cost of living of two population groups or two geographical areas cannot be used to compare actual living costs of these population groups and geographical areas. The only purpose which those indices serve is to find out changes in the level of costs of living as compared to a base period.

The Labour Bureau in their publication, "A Guide to Consumer Price Index Numbers" have explained the meaning of Consumer Price Index Numbers in the following words: "The consumer price index number is intended to show over time the average change in prices paid by the consumers belonging to the population group proposed to be covered by the index for a fixed list of goods and services consumed by them."

Method of Construction

The CPI is based on a statistical formula which puts together all the items commonly bought by a class of workers and their families as determined from a survey of family and individual spendings.

Selection of Items

The selection of items to form, the basis of the construction of this index is not an easy matter. It depends upon the purpose of the index number. Family budget enquiries have to be conducted to find out the pattern of family consumption in various population groups which form the scope of the index. These items of expenditure are of a large variety and vary from place to place and population group to population group. For the sake of convenience they are classified into groups. The Seventh International Conference of Labour Statisticians while considering the analysis of the results of the family living studies, recommended that for purposes of international comparison the classification of consumption expenditure should be made in such a way as to make possible a grouping or regrouping of items in the following groups and sub-groups:

(a) a group of food, including as separate items, food consumed away from home alcoholic beverages;

(b) a group of housing, including as separate items, rent, fuel and light and household finishing and appliances;

(c) a group of clothing;

(d) a group of miscellaneous, including as separate items, the following ten sub groups medical care, personal care insurance and other contribution, education and reading, telephone and postage, recreation, transport, tobacco, gifts and charities and servants.

The conference also pointed out that the items of non-consumption income and other personal taxes, interest on personal debts, etc., should not be included under consumption expenditure because it is not customary to include non-consumption items in cost of living indices. Similarly savings in the form of bonds, annuities bank-savings. insurance premia, etc., are also excluded from cost of living indices as it cannot be ascertained when and for what purpose they will be utilised afterwards.

While the Seventh International Conference has given for the sake of uniformity, a classification of items which should be taken into account in the cost of living indices, in actual practice, these items differ from country to country. In the very nature of things these items cannot be uniform. Even in the case of the same country the details of these items must differ from centre to centre.

System of Weighting

The system of weighting adopted, or the "weighting diagram" as it is called, is an important consideration in the construction of index numbers of cost of living. Index weights are also derived from family budget enquiries. The system is to assign "weights" in proportion to their relative importance as indicated by figures of either expenditure or quantity of consumption in the average budget. The consumption pattern which enables the weights to be assigned has to be examined with reference to the population group to which, the index relates. In specific cases, to suit certain special purposes, assumed weights have to be assigned on theoretical hypotheses. These hypotheses may, for example be, estimated consumption pattern based on secondary data relating to production, export, import, retail trade, etc.

Obtaining Values of Expenditure

It is generally accepted that the enquiries should cover a period of one year to allow for coverage of seasonal expenses. For non-recurring items such as clothing, etc., information for whole year should be obtained. For others four-quarterly data is enough, and families need not be harassed by asking for information at more frequent intervals.

The values of expenditure items, or retail price quotations obviously relate to the period of the family budget enquiries. It is therefore, in the fitness of things that quotations of prices must also be obtained simultaneously with the family budget enquiries. But, as we have seen above the selection of items can be finished only after the family budget enquiries are completed and analysed. A tentative list of items is prepared and price quotations obtained. The following points are borne in mind while collecting price quotations:

1. The retail prices should relate to a fixed list of items and for each item the quality as fixed by means of suitable specification.

2. Retail prices should be those charged to consumers inclusive of taxes for actual cash sales on fixed days of the weeks. Prices charged for soiled, stale, damaged or otherwise imperfect goods should be ignored.

3. Reduced price should be mentioned.

4. Discount, if automatically allowed, should be taken into account.

5. In a period of price control, where illegal or black market prices are being openly charged, they should be mentioned along with controlled prices. In the case of dwellings, however, the practice is to take an adequate and changing sample of dwellings at each rent collection so that new houses as well as old and houses at controlled and uncontrolled rents are represented in the index.

Sample Family Budget Enquiries

It is not possible to extend the scope of the family budget enquiries to a census type of study. The United Nations Statistical Commission also subscribe to the same view. Therefore, it is of vital importance to adopt sound sampling methods in the field of cost of living indices. In this connection it is important that sample should be chosen in such a manner that might enable the calculation or probable error and introduce only the smallest possible amount of bias. The necessity of carrying out these enquiries under the guidance of competent mathematical statisticians cannot be over emphasised. The procedure of selecting the sampled family, enumeration, and tabulation of data must be scientifically done so that evaluation of sampling error is possible.

Agency of Collection

The primary agency through which price quotations are collected is the most important consideration. Price quotations are obtained usually by personnel appointed particularly for the purpose; but in certain special cases quotations are also obtained by means of mailed questionnaires and through published price lists.

It will be observed here that former method. viz., collection of prices through agents appointed for the special task of obtaining quotations, is the most satisfactory as these agents can be relied upon to visit retail shops and carry out special instructions regarding quality, price variations, etc. If, however, informants do not require to be explained special points and they can be expected to supply data accurately mailing questionnaires are quite suitable. With regard to the agency of collection, the Sixth International Conference of Labour Statisticians made the following recommendations:

(a) The effective administration of the price collecting programme required the careful selection and training of price collection personnel.

(b) Such use of appropriate methods of price variation, such as check pricing, in which price quotations are verified by means of duplicate prices obtained by various agents "or purchase checking" in which actual purchases of the goods priced are made, is recommended".

System of Averaging

After the price quotations have been obtained from retail sources, an average price for each of the items included in the index has to be worked out. Averages are first calculated for the base period of index and later for the month, if monthly indices are published. It is emphasised that the method of averaging should be such as to yield unbiased estimates of average of prices being actually paid by the population as a whole. The problem of averaging is complicated by the introduction of black market or illegal price quotations.

Construction of Index

After the price quotations have been obtained, the actual construction of the index is a simple matter. An accepted formula, the Laspeyres formula, is most commonly used in which prices are weighted by the quantities of the base year. The formula is as follows:

$$I_n = \frac{\sum p_n q_o}{\sum p_n q_o} \times 100 \qquad (1)$$

Where I_n = Index number

P_n = Current prices

P_o = base prices

q_o = base quantities.

The above formula can also be expressed as follows to yield the weighted average of price relatives as fixed base:

$$L_n = \frac{\Sigma p_o q_o \frac{p_n}{p_o}}{\Sigma p_o q_o} \times 100 \qquad (2)$$

If, however, a weighted average of price relatives on chain base is required, the above formula is modified as follows:

$$L_n = \frac{\Sigma p_{n-1} q_o \frac{p_n}{p_{n-1}}}{\Sigma p_{n-1} q_o} \times 100 \qquad (3)$$

Any one of the three formulae described above is used in actual practice. Sometimes a combination of these is also used in construction of index numbers.

Cost of living index numbers are customarily constructed in stages:

(i) Construction of group indices by any of the three formulae for different groups of items.

(ii) Group indices obtained by (i) above are usually combined by formula no.2 described above to yield the general cost of living index number.

Difficulties Involved in construction of Index Numbers

The construction of cost of living index numbers is not an easy matter and several difficulties have to be faced. The greatest difficulty in the construction of index numbers showing a change in the cost of living of people over a period of time is the human element that is involved. Index measures the changes in the cost of goods and services of constant quantities and qualities between two points of time. But the market conditions and preferences of the consumers do not remain the same with the result that a comparison on the basis of standard or constant quality and quantity is no really possible.

1. As the prices change, the quantity demanded also undergoes a change, however insignificant it may be, change in the quantity demanded must effect the weighting diagram but it will involve fresh family budget enquiries which is not possible at such frequent intervals as the change in prices and the consequent changes in demand. In this connection the observations of the Sixth International Conference of Labour Statisticians are worthy of mention. They recommended that weighting diagram must be adjusted. If necessary, but not at intervals of less than ten years. They also made very valuable suggestion that small sample studies of consumers purchases must be made in between more comprehensive surveys, to study change in the preferences of buyers and their effect on the weighting diagram. In the case of changes forced upon the consumers by rationing, etc., the conference recommended a revision of the weighting diagram.

2. The other problem which has to be faced while constructing index numbers of cost of living is the frequent changes in the quality of goods. If this is to reflect perfectly the changes in the cost of living, it must take into account the changes of quality. The expedients followed are: (1) if prices over a period of time available both for new as well as for old qualities, the prices of quality are linked on the basis of the trends of the prices of the new quality. This only means that the basis of the price level of the old quality at the point of change as compared to its prices at the base period. This is the method which is followed in substituting items, as the index level is not affected because of the mere fact of substitution. (ii) The price of the new quality is found out as it was on the base period the new quality is priced against as base price (iii) Quality difference is

evaluated in terms of prices in consultation with retailers, manufacturers, specialists, etc., and only that part of the difference between the quotations for old and new qualities which represents a real price movements taken into account.

It will, however, be seen that in the course of the last few years technological advances have taken place in such a manner that it is no longer possible to take adequate account of quality changes. Hence, no allowance is often made for quality changes.

3. Inclusion of seasonal items is another problem in constructing cost of living index numbers. The Sixth International Conference of Labour Statisticians made the following recommendation in this regard: "(a) Every effort should be made to include a suitable representation of fresh, canned, dried and frozen fruits and vegetables in the list of goods priced. (b) If items cannot be priced every month of the year or if price differences between different seasons are substantial, it is advisable to use in corrected price figures and / or constant weights all through the year (c) Whenever necessary and feasible, account should, therefore, be taken in the methods adopted of the seasonal factors in consumption and prices (d) Provisions should also be made for taking account of seasonal factors in purchase-of clothing, fuel and other items showing seasonal variations".

In this connection it is interesting to know that the Conference of Commonwealth Statisticians recognised that circumstances might prevent the inclusion of seasonal items, for example, where short term fluxuations in supplies and prices are very erratic. They also recommended a system of adjustment for considerable variations from month-to-month consumption of these items. The Conference emphasised the need for adhering to the concept of an index, i.e., a study of change in the prices of a fixed expenditure pattern in the base period. The technique suggested was that vegetable and fresh fruits group must have a fixed group weight within which necessary adjustments may be made in such a way that the group weight is not thereby affected.

Errors in the Consumer Price Index Numbers

There are chances of grave errors in the construction of the cost of living indices. The very nature of these indices is such that makes them amenable to errors from a large variety of sources. Errors emerge from the following:

(i) Use of Sampling Method

The family budget enquiries have to be carried out on a system of sampled households. These should be representative of the tastes habits and customs of the population group as a whole. Then the price quotations have to be obtained from sampled localities or markets and these should, again be representative of the prices rating in the country.

(ii) Indifference of People

Family budget enquiries are the basis of the selection of items and weights. Mostly people are not alive to the uses of such indices and enquiries and they treat the enumerators with contempt.

(iii) Human Element Involved

As we have seen earlier, human element is responsible for grave confusion in the construction of these indices.

(iv) Defects of Primary Reporting Agency

The agency for collection is in efficient and also shrinks when entrusted to it. The family budget enquiries and the collection or prices call for considerable patience on the part of the enumerators.

(v) Credit Purchase

Labourers make most of their purchases in credit, and it is very difficult to find the difference between the real prices prevailing in the market and the credit prices.

Uses of Consumer Price Index Numbers

Cost of living index numbers are an index of changes in the tastes, habits and fashions of the people of that particular class to which they relate. They provide a reliable study of changes in the consumption pattern of population and are, thus, useful to trade, commerce and industry. They are also useful to industry in another important respect in as much as they provide a satisfactory, and reliable basis of wage studies and remunerations. It is on the basis of information available from these indices that policies relating to general economy, wages, prices, taxation, rent control, etc., are laid down and wage disputes settled. They also provide an index of the purchasing power of currency.

The Labour Bureau, while commenting upon the use of consumer price index numbers points out that their main use lies in the regulation of dearness allowance of employees to compensate for the rise in prices. If the index with which dearness allowance is linked goes up the employees are given a higher dearness allowance according to an agreed formula. If the index goes down, the allowance is correspondingly reduced.

Available Consumer Price Index Numbers

The CPI, which are available in India, relate to working classes only. Efforts are being made to compile index numbers for other classes also. In some cases family budget enquiries have been made, but index numbers are compiled by the Labour Bureau, Ministry of labour Government of India and also by some State Governments. These are published under several schemes.

Labour Bureau Indices

The Labour Bureau, Simla brings out two Consumer Price Index Numbers.

a) Consumer Price Index Numbers for Industrial Workers (1960 -100)

For the purpose of this index, items are divided into three major groups. i) Food, ii) Clothing and iii) General. The clothing group includes clothing, bedding and footwear. The index is monthly and annual. The annual Index is being taken as the average of monthly index numbers in its publications. Some confusion is created because the monthly abstract of statistics brought out by the CSO lists 23 centres State wise, while the RBI lists 21 centres in alphabetical order. The CSO list contains 11 centres which are not to be found in the RBI list while the RBI list contains 9 centres which are not to be found in CSO list. This discrepancy is intriguing particularly because the source (Labour Bureau) is the same for both the lists. Besides these indices, All India Index is also worked out.

Of the various centres included in the CSO list, Doom Dooma, Jalpaigari and Mundakayam are plantation centres. Jharia and Barbil are mining centres and the others are factory centres.

The weighting diagram is also quite confusing. Different weights have been assigned to groups at different centres. These weights do not total up to 100.

b) Consumer Price Index Numbers for Agricultural Labourers (1960 =100

For the purpose of this index, items are classified into two major groups. i) Food and (ii) General. The base year is the agricultural year July to June. The index is monthly and annual, the annual index being taken as the average of monthly indices from July to June.

The weighting diagram is confusing. Different weights have been assigned to different groups in different States. Figures are given Statewise. Figures for Haryana, Delhi and Himachal Pradesh are included in Punjab and for Manipur, Meghalaya and Tripura in Assam.

iii) Consumer price index number for working class for certain centres and all-India index base shifted to 1951 -100 except where otherwise indicated the index is published jointly giving the a) Labour Bureau series and b) State series.

Construction of Labour Bureau Indices : Selection of Items

Items for construction of the index numbers discussed above have been classified into three broad groups. These are: 1) food 2) clothing and 3) miscellaneous. At some centres the groups are slightly changed to suit local conditions. The items falling under each group are different from centre to centre depending upon the popularity of items at different centres. This is only to be expected in such cases where the selection of items depends upon the taste, fashions and customs of the people. At several centres the group clothing, bedding and footwear is described as "clothing" only.

Items have been selected after careful family budget enquiries the period of these enquiries is not uniform from centre to centre. Similarly, the scope of these enquiries (e.g., factory workers, mining workers or plantation workers, etc.,) is also different at different centres. The sampling frame and the sampling fraction is also different from centre to centre. No comparison between the changes in the consumer prices is therefore possible, under these circumstances.

Obtaining the Price Quotations

The price values or quotations are obtained generally with a frequency of one week. The days of the work to which the prices actually relate are different from centre to centre; so also is the agency of collection. In case the index is monthly, a data is fixed for obtaining the price quotations. A uniform practice is not followed with regard to frequency for each group at one centre. For example, at some centres the quotations are obtained weekly for some groups, and for some other groups the quotations are obtained monthly. The treatment of house rent is also not uniform. At some places the old quotation of house rent is taken while at others it has been revised while still at some others the practice is to revise it at regular intervals, e.g. every half year.

The agency of collection differs from centre to centre. The defect of the primary reporting agency which was in vogue some times back being only too glaring. Most of the quotations are now obtained through the Economic Intelligence Inspectors or the Marketing Inspectors. But, collection of quotation by the way side. Railway Station Masters or the clerk of some Government offices, or the Factory Inspectors, etc., is not rare. In these cases the reliability of the quotations is doubtful.

The quotations are the actual retail prices ruling in the market on the day fixed for collection. Only such markets are selected which are patronised at the centre by the groups of workers to which the index relates.

System of Weighting and Average Used

Weighted arithmetic average is used in finding the average at the time of final construction of the index. Weights are assigned to individual items and to groups with the help of family budget enquiries conducted in some cases during the war years and in some cases during the post-war years. Index numbers are usually compiled in two stages; first, group indices are compiled and then they are combined into the general index.

Base Year

The base year differs from centre to centre, but in most cases now the indices have been brought to a common base so that comparison may be facilitated. In certain cases indices have been worked back to a changed base, but in most cases, there is no continuity between the old and new base.

The noteworthy thing in connection with the weights, however, is that at most centres the base year for the weights' is different than the base year prices. From a technical point of expediency it can be accepted. The point is that frequent family budget enquiries are not possible while, if after a lapse of time some year is considered more suitable to be the base year, it should certainly be adopted in order to make the index more representative of the changes.

Characteristics of Consumer Price Index Numbers

The Labour Bureaus consumer price index number is a statistics measure. It, therefore, suffers from all the limitations and has all those characteristics which are possessed by statistics in general. These indices are compiled for certain specific purposes which are predetermined. They are true on an average under certain given set of conditions. They are capable of misinterpretation if the method and technique of their compilation and the type of data that enter into their construction are not carefully assessed. The following characteristics may be noted in order to understand their true significance:

1) The consumer price indices compiled by the Labour Bureau relate to a particular population group and geographical area. They are not applicable to the population as a whole but that group of population for whose specific purpose they are constructed.

2) While these indices are averages themselves, they are true on an average only because within a population group also there are wide variations with

regard to tastes, customs and fashions and the consumption habits differ from family to family in each group. Only the average experience of individual families is reflected in these indices.

3) Considerable amount of approximation and estimation enters into the construction these indices. This is because the budget of a representative family is derived from the study of a sample of budgets and a selected list of items is taken out of these sample family budget enquiries. Weights are greatly approximated and price quotations are also estimated, because they are taken only for fixed days of the week, month, year, etc. It is a different thing that these errors which tend to creep in are cancelled out and the magnitude of final error is very small.

4) The index is a price index and not a cost of living index. It will be observed that in India formerly these indices were referred to as cost of living indices. But, because of the confusion which they were likely to create it was deemed the former nomenclature was likely to create an impression that these indices were designed to measure standard of living, rather than changes in the price levels of commodities which are commonly consumed by people. Cost of living is a phenomenon which is governed by a number of factors such as income tastes quality and quantity of goods and services consumed, etc. The consumer price index tells us how much it costs to maintain the same level and type of consumption under changed price levels are compared to some previous data which may have been taken as the base.

5) The consumer price index does not take into account changes in expenditure pattern, tastes, and habits, etc., of the people. It is obvious from the above point that it is not a measure of changes in the tastes, habits and customs of people. By taking one year settle base and by selecting a set commodities for all times to come in the life time of a particular index, the index precludes all possibility of being regarded as an indicator of changes in the consumption habits of the people.

6) The index measures relative changes in prices and not absolute changes. The index is a relative measure by its very nature. It is not capable of taking in to account the changes in absolute terms but only relative changes. This means that proportionate changes in prices of various commodities are reflected in the index.

Defects in Consumer Price Index Numbers

The object of compiling the consumer indices is to measure changes in the cost of living of various classes of people. The indices available in India relate mostly to the working classes. In a few cases index numbers for other classes like agricultural labourers and the employees of the Central and State Governments have also been collected. Before going into details of the short comings of these index numbers it must be realised that index numbers are studies in percentages and averages. They can give an idea only of average changes in the cost of living, not of changes in the cost of living of individual families. It must further be realised that the technique of construction of the indices, viz., the selection of items the base year and the weight are decided upon as a result of the family budget enquiries which cannot be conducted as an annual feature. Therefore, the interpretation of these indices is not applicable for a long period of time. The consumer price indices as published in India, however, suffer from certain drawbacks which tend to undermine the utility of these index numbers.

i) Items

The items on which the indices are based differ from index to index. This is only natural because the indices are intended to be regional in their nature. However, certain items which should be the feature of all indices seem to have been left out of some index numbers. For e.g. the Jharia index does not include fuel and lighting. Similarly ,house rent is not included in Bihar. The Miscellaneous group has been dropped in Bihar and Orissa while in Tamilnadu this group has been made prominent by including nine items, under this group. Some vital items of the daily necessity of workers have been excluded from the iist, e.g. foot wear, underwear, umbrella, blankets, etc. But, the family budget enquiries are themselves very old and in the meantime the pattern of consumption of the people has undergone a change. The tastes and fashions of the people have a direct bearing upon the index number. The workers now do not consume only one cup of tea per day, or do not smoke only five bidis in a day, or shave only once a month. The frequency is now larger for these items. Similarly, they do not consume broken or Patni rice now, but going for whole and higher quality rice. Again, certain varieties of cloth which used to be consumed in 1939 when family budget enquiries were held in Bombay and Kanpur are not produced at all. The inclusion of such items tends to distort the index number.

ii) Base Year

Much confusion still prevails about the base year of the indices. It is unrealistic to regard 1971 as the base year. 1993-94 is now accepted as a common base for purposes of comparison in all economic studies.

iii) Average and System of Weighting

As has been observed earlier, the average used in the construction of those indices is weighted arithmetic average. From a technical point of view, geometric mean is better as it makes the index reversible and gives equal weight to equal ratios of changes. Thus, it allows the shifting of the base and the change in the items without distorting the index. But, geometric mean is not easily understood and the difference between an index on geometric mean is very little; hence arithmetic average is considered to be better on balance. However, with regard to weights an observation may be made here. The weights differ from place to place. They were based on family budget enquiries held far back and are quite out of date in the present context.

It is clear that the consumer price indices which are being constructed now are out of date.and a revision is overdue. The coverage of the index numbers is very limited. At present it extend to the industrial workers only. In a few cases some other categories at workers have also been included but that has not materially affected the situation. New family budget enquiries are overdue and must be made without further delay. The Government of India have already started working on new an schemes and the work is well under way.

New Schemes of Consumer Price Index

The Labour Bureau which brings out the Consumer Price Index every month will now have 1993-94 as the now base. Formerly the base was 1971. The new.index will have hundred points. The consumption pattern has undergone a change during the last twenty years and the base as also the items have been rendered unrealistic. Therefore, acting up on the recommendations of the I.L.O., the changes have been introduced.

With this exercise which is going on at the Labour Bureau level, another allied activity is going on which deserves mention in the context of price statistics. The Bureau is planning a detailed survey with the ultimate object of monitoring the supply of essential goods at fair prices in the country, particularly, in the far-flung areas. This survey would be in addition the two surveys already being made for industrial workers and farm labourers.

Model questions

1. Write an essay on Indian wage policy.
2. Examine the principles of wage fixation.
3. Critically evaluate job clusters wage and contours.
4. Write short notes on
    a) wage structure b) wage policy c) wage survey
5. Define labour productivity. Explain how you will measure input and output.
6. Explain the techniques of productivity and their roles.
7. Explain the process of constructing consumer price index numbers.

UNIT - 6

JOB EVALUATION

Meaning

The International Labour Organisation (I.L.O.) has defined job evaluation thus: "Job evaluation may be defined simply as attempt to determine and compare the demands which the normal performance of particular jobs makes on normal workers without taking into account of the individual abilities or performance of the workers without taking into account of the individual abilities or performance of the workers concerned."

British Institute of Management: "Job evaluation is the process of analysis and assessment of jobs to ascertain reliably their relative worth.using the assessment as a basis for a balanced wage structure."

Netherlands Committee of Experts for Job Evaluation: "Job evaluation is a method which helps to establish a justified rank order of jobs as a whole, being a foundation for setting of wages. Job evaluation, therefore, is only one of starting points for establishing the relative differentiation of base wage rates."

Bureau of Labour Statistics of U.S.A. : "Job evaluation is the evaluation or rating of jobs to determine their position in job hierarchy. The evaluation may be achieved through the assignment of points or the use of some other systematic rating method for essential job requirements, such as skill, experience and responsibility. Job evaluation is widely used in the establishment of wage rate structures and in the elimination of wage inequities. It is always applied to jobs rather than the qualities of individuals on the jobs."

International Labour Organisation: "The aim of the majority of systems of job evaluation is to establish, on an agreed logical basis, the relative values of different jobs in a given plant or industry. Job evaluation does not, of course, take the place of established procedures for bargaining between the representatives of the employers and workers; but the use of a system of job evaluation may facilitate the development and maintenance of an equitable relationship among the rates for different jobs.

The principle upon which all job evaluation schemes are based is that of describing and assessing the value of all jobs in the firms in terms of a number of factors, the relative importance of which varies from job to job.

Job evaluation is a technique of evaluating jobs and it is similar in principles and methods to employee or personnel rating, save that the latter evaluates *employees.* It is important that this basic distinction be kept in mind.

Objectives of Job Evaluation:

1. To secure and maintain complete, accurate and impersonal descriptions of each distinct job or occupation in the entire plant.

2. To provide a standard procedure for determining the relative worth or value of each job within the plant.

3. To determine a rate of pay for each job which is fair and equitable with relation to other jobs in the plant, community and industry.

4. To ensure that like wages are paid to all qualified employees on like work.

5. To promote fair and accurate consideration of all employees for advancement and transfer.

6. To provide a factual basis for the consideration of wage rates for similar jobs both within the community and within the industry.

7. To provide information for the work organisation, employee's selection and training and numerous other important purposes.

Principles of Job Evaluation:

A.L. Kress, a leader in the development of job evaluation, has set forth the following eight principles of job evaluation:

1. Rate the job and not the man. The requirements of the job are usually definite and fixed. The man may have plus qualifications or may not quite measure up to the job requirements. A job rating plan should not be confused with any plan to grade employees. The man on the job may be paid more or less than the job itself is worth, in relation to other jobs. Each element should be rated therefore on the basis of what the job itself requires.

2. The elements selected for rating purposes should be easily explainable in terms that will avoid any overlapping which might lead to rating the same qualifications

3. Success with job rating is absolutely dependent on a uniformity of understanding with regard to the definitions or the elements and on consistency in the selection of the degrees of those elements.

4. Any job rating plan must be sold to foremen and employees. Success in selling it will depend on a clear-cut explanation and illustration of the plan.

5. Foreman should participate in the rating of jobs in their own departments.

6. The greatest degree of co-operation from employees, in job rating will be achieved where they themselves have an opportunity to discuss the ratings.

7. In talking to foremen and employees, avoid discussion of money values. Talk point values and degrees of each element. Discussion of money values will lead to juggling.

8. Too many occupational wages (or rate ranges for given labour grades) should not be established. It would be unwise to adopt an occupational wage for each total of point values.

Fundamentals of Job Evaluation:

1. The job must be broken down into its component parts – in other words prepare a job analysis.

2. The job must be adequately described-or prepare a job description.

3. After job analysis and job description, compare one job with another.

4. Having made job comparisons, it is imperative to have some form of numerical measure.

5. The jobs having been placed on some form of progressive scale, it is necessary to relate them to money terms in order to ascertain its relative worth.

Methods of Job Evaluation:

There are two methods of job evaluation: Non-analytical methods and Analytical methods.

I) Non-Analytical Methods:

1. The Ranking Method:

It merely entails placing the jobs-in order of demands they make on those who perform them on the basis of their titles only or of simple description of each job as a whole. The various steps involved are:

(i) Selecting the job-preferably administrative and clerical jobs are separated from manual or factory jobs. In this connection it must be remembered that certain jobs in inspection and foremen category may be more clerical or administrative than manual despite the manual work done as part of the job.

(ii) Choosing rankers-Generally the departmental heads who are familiar with all jobs in their department are employed to judge the rankings.

(iii) Job analysis-This should start with the statement of job. Give the duties and include a specification of the worker in terms of training and education. The greater the details given the smaller the likelihood of later conflict in ranking.

(iv) Ranking jobs by departments-A general method is to write a summary of each job analysis on separate cards and get the departmental managers, supervisors and foremen, etc., to put the cards in order of difficulty. Where the jobs are clear-cut and reasonably spaced in difficulty the order given by each person should be similar. Differences are then resolved by discussion between the assessors. Where the jobs are less widely spaced the system of "paired comparison" may be employed. Here each job is paired with every other job in turn and the more difficult job of the pair is indicated by the assessor as shown in the table 6.1. They are then ranked according to the number of times they are judged more difficult as in table 6.2.

(v) Integrating departmental ranking-The rankings of first department are set out vertically in their order. The jobs of second department taken in its ranking order are compared with those of the first department and re inserted in between. This process is known as 'job-slotting".

Advantages and limitations:

Relatively simple, easily understood and explained to others, it involves less paper work, is inexpensive and speedier. Paired comparison becomes lengthy if the number of jobs in a department are too large. All it does is to put jobs in order without any indication of how much difference exists between them. The judges must be thoroughly familiar with all jobs which can be difficult in large organisations, the rank positions likely to be unduly biased by prevailing wage rates because of incomplete information and lack of standards.

2. Classification or Grading Method:

This predetermined grading is widely used for salaried jobs, including those in Government and service occupations. This method differs from ranking method in that labour grades are established before actual job characteristics are examined. The number of grades is decided upon and the functions corresponding to these

TABLE 6.1

In each pair underline the job you believe is more difficult. Be sure to make choice of each pair.

Information clerk	MAIL ORDER CLERK
Mail order clerk	ADJUSTER
COLLECTION CLERK	Transfer clerk
REFUND CLERK	Information clerk
COLLECTION CLERK	Mail order clerk
ADJUSTER	Collection clerk
Information clerk	COLLECTION CLERK
Transfer clerk	ADJUSTER
Information clerk	TRANSFER CLERK
REFUND CLERK	Transfer clerk
Mail order clerk	REFUND CLERK
Refund clerk	COLLECTION CLERK
Transfer clerk	MAIL ORDER CLERK
ADJUSTER	Refund clerk
ADJUSTER	Information clerk

TABLE 6.2

Positions	No.of times judged more More difficult	Rank
Information clerk	0	6
Mail order clerk	2	4
Refund clerk	3	3
Transfer clerk	1	5
Adjustment clerk	5	1
Collection clerk	4	2

Adopted from *Job Evaluation,* A.Mc.C. Norris Procedings of the Institute of the Mechanical Engineers, London, 1964-65, Part I (Vol. 179) Number II.

Grades defined. Only then the descriptions are prepared for each job and matched with those of the different grades established already.

The grade descriptions are formed in such a manner as to cover describable differences in degrees of skill, responsibility and other job characteristics. The lowest grade may cover jobs which merely require the worker to follow the instructions under close supervision. Each succeeding grade will reflect a higher level of skill and responsibility with less and less supervision. The jobs, as in ranking method, are considered as a whole.

Advantages and limitations:

Relatively inexpensive, simple and easily applied. In organisations with relatively small range of jobs, the results achieved may be fairly satisfactory. When the range increases, it becomes more and more difficult to compress so many jobs into a limited number of grade descriptions.

Sometimes this method is preferred because of its comparative vagueness and hence greater flexibility. When the nature of job changes owing to new production methods its classification will normally have to be negotiated anew and analytical methods with their predetermined definitions of factor and degrees, leave less freedom to the parties in such negotiations. As a result trade unions have sometimes expressed a preference for a classification method on this ground.

II) Analytical Methods:

1) Point Rating Method:

In short, degrees or scales of various factors are established. Each factor of a job is compared to the scale and a point value is allotted. The sum of points for the various factors places the job quantitatively as well as qualitatively. The various steps involved are (1) Selection of-factors-Factors should be pertinent to the type of positions included. If no supervisory posts are included, there is no point in having 'supervision of others.' However 'supervision received' may be appropriate. It is suggested that 10 to 15 factors are chosen covering all jobs. Factors should be unique, in the sense that they should not overlap in meaning. They should be defined clearly. Also they must be quantifiable and be able to be described in varying degrees. Factors which are given the same rating for all jobs need not be included as they do not contribute to differentiate among jobs. If all jobs are performed under the same physical conditions, this factor may be omitted. Also if a job is highly repetitive the factor monotony should be included.

(i) Defining Factors:

Explicit definitions must be prepared for each one so that people using the plan will have the same concept of what aspects of job are covered by the factor. Positive statements in simple language lessen ambiguities.

(ii) Defining Degrees in Each Factor:

Each factor is subdivided into degrees, six being a reasonable range. Each degree needs to be defined cleary and concisely, preferably in some quantifiable manner. e.g.: 'Responsibility to equipment' could be defined in terms of money, being the maximum amount of possible loss due to lack of precaution. Table 6.3 shows an example.

(iii) Determining Relative Values of Job Factors:

As all factors will not have equal importance to the needs of an industry they must be weighted. This is not easy because the whole universe of jobs must be looked at and not a particular job. This is best done by a committee of supervisors and executives. The committee should ask themselves such questions as 'should jobs be paid more for physical effort or working condition'?

Table 6.3 Responsibility for Material and Product

1st degree :	Value of material which may be wasted, damaged or lost is small $ 10
2nd degree :	Probable loss in damage is low $ 100
3rd degree :	Probability of occurrence is low upto $ 250
4th degree :	Probable loss is high $ 500
5th degree :	Loss very high-several thousand dollars.

Adapted from: The *AMA Hand Book of Wage and Salary Administration,* Editors: M. Joseph Doover and Vivienne Marquis. AMA, 1515 Broadway, NewYork 18. Third print Feb. 1952. 'should education receive more consideration than hazards, and if so, how much more'? The individual weightings are agreed upon among the members. The weightings are then expressed as a per cent of this weighted per cent becomes the number of points for the first degree of each factor. The typical weightings are shown in table 6.4 and the points for various degrees are merely the points of the I degree multiplied by the grade number.

Table 6.4 Weighting of Factors, Degrees and Points

Factors	Weigthing	Per cent weighting	Degrees & Points					
			1	2	3	4	5	6
Education & Mental Development	40	15	15	30	45	60	75	90
Experience & training	75	30	30	60	90	120	150	180
Judgement & initiative	40	15	15	30	45	60	75	90
Physical effort	18	7	7	14	21	28	35	42
Mental application	18	7	7	14	21	28	35	42
Monotony of work	12	5	5	10	15	20	25	30
Responsibility for equipment	10	4	4	8	12	16	20	24
Responsibility for material	15	6	6	12	18	24	30	36
Working condition	15	6	6	12	18	24	30	36
Unavoidable hazards	12	5	5	10	15	20	25	30

Adopted from A.Mc.C.Norris, *op.cit. pp.* 399-400.

(iv) Constructing Job Evaluation Manual:

Certain selected key jobs are ranked in degrees under each factor headings, thus showing up anomalies which can then be corrected. Finally, a job evaluation manual is prepared with *these key jobs listed as examples for future evaluation of other jobs.*

(v) Job descriptions and job specifications are prepared. They are expressed in terms of the factors already established.

(vi) Rating of jobs are done with the help of the manual and the final point values ascertain the position of the job and its worth.

Advantages and limitations:

This method is most common and widely used. In a way this method is more systematic compared to non-analytical methods. Also agreement between raters is high which aids in bargaining. This method is said to suffer from lack of flexibility, is complicated and requires more time to construct. It is also charged to contain too many refinements, point values being assigned arbitrarily. Perhaps the chief criticism is that the unit of measurement is not defined. Also a large number of jobs has to be covered by a limited number of factors which is said to restrict the scope of evaluation.

2) Factor-Comparison Method:

As originally developed this method involves the ranking of jobs in respect of certain factors and usually involves the assigning of money wages to the jobs depending upon the ranking. However, it may be applied in a different way, as will be shown below. The process consists of:

(i) Selection of factors: They may be skill, mental and educational requirements, physical requirements and responsibility, working conditions.

(ii) Having fixed and factors, job analyses are prepared expressing job requirements in terms of these factors.

(iii) Selection of key jobs: The ranking of jobs and subsequent fixing of wages are carried for a number of 'key jobs' which serve as points of reference for later evaluation. The key jobs should be a good sample representing the entire range. It is suggested that 15 to 20 jobs should be picked. They should be clearly describable and capable of analysis in terms of factors.

(iv) Evaluation may be done by 'paired comparison' in each of the factors as in ranking. A typical evaluation has been shown in Table 6.5. If the method of immediate fixing of wages is to used, the jobs are ranked as follows. The wage rate of each key job is broken down and distributed among or apportioned to the factors in the proportion in which these are considered to contribute to the total 'price' paid for each key job in the from of its wage rate. For example, if tool making is chosen as key job and its wage rate is 20 money units, it may be decided to allot 9 of these to skill, 5 to metal requirement, 2 to physical requirement, 3 to responsibility and 1 to working conditions and so on. When the rates of all key jobs have been divided this way, they have been implicitly ranked with respect to each factor.

The two rankings of key jobs are undertaken independently of each other. Any differences present have to be adjusted by re-examining. If it is not possible to reconcile for a particular job, this is eliminated from the list of key jobs. Table 6.6 shows ranking by allocating money values.

Factor-Comparison

Table 6.5							Table 6.6									
Ranking by factors							Allocation of money value & ranking									
Jobs						Wage rate in money units	Skill		Mental requirements		Physical requirements		Responsibility		Working condition	
	Skill	Mental requirement	Physical requirement	Responsibility	Working condition		Money value	Rank	Money value	Rank	Money value	Rank	Money value	Rank	Money value	Rank
Toolmaker	1	2	2	1	4	20	9.0	1	5.0	1	2.0	3	3.0	1	1.0	5
Machinist	2	2	3	2	3	18	8.0	3	4.0	2	1.0	5	2.0	2	3.0	3
Electrician	3	3	4	3	5	16	6.0	3	3.0	3	3.0	2	2.5	3	2.5	4
Assembler	4	4	5	4	2	14	4.0	4	2.0	4	1.5	4	1.0	4	5.5	1
Janitor	5	5	1	5	1	12	2.0	5	1.0	5	4.0	1	0.5	5	4.5	2

Adopted from: "Job Evaluation" I.L.O. *op. cit, pp.* 28-29

(v) The results are used to rank other jobs in plant and fix their wages rates.

Advantages and limitations:

E.J. Bengel, the leading advocate of factor comparison, claims the following advantages for this method. It facilitates merit rating, selection, training, improving working conditions, etc. The fact that the method leads directly to the determination of wages had been regarded as an undesirable feature by those who consider that only task of job evaluation is the comparison of job contents which is logically different from the fixing of wages. Another disadvantage is that many people do not accept the prevailing rates of key jobs to form a basis of whole wage structure.

Installing Job Evaluation:

Lytle outlines the steps to be taken in installing a plan of job evaluation:

1. Choose the most suitable method and the main techniques.
2. Choose the major job characteristics, then the minor ones and apportion limiting values.
3. Start selling the proposition to all concerned; seek suggestions.
4. Build definitions, measuring scales, or comparison techniques, and assign relative values.
5. Design forms or questionnaires and collect preliminary descriptions.
6. Edit preliminary descriptions and establish grades or classes.
7. Identify and evaluate key jobs, first on major characteristics, then on minor characteristics (keeping within limits of No.2).
8. Evaluate remaining jobs on all characteristics (keeping proper relativity to key jobs) and harmonise job titles.
9. Now if not sooner, be sure union representatives concur in weightings.
10. Make intercompany survey on key jobs only, but try to find at least one per class.
11. Translate abstract values in to money values tentatively.
12. Plot the end jobs and the most sure key jobs on a scatter diagram, bargain on wage levels.
13. Discover line of reference, i.e., the trend line, and decide range limits.
14. Readjust all values relative to line, standardise and put into working form; finally, fix all operating procedures.

Advantages and Limitations of Job Evaluation :

The I. L. 0. summarises the advantages and limitations of job evaluation :

Advantages of Job Evaluation :

1. Job evaluation is a logical and, to some extent, objective method of ranking jobs relatively to each other. It may thus help in removing inequities in existing wage structures and in maintaining sound and consistent wage differences in a plant or industry.

2. In the case of new jobs, the method often facilitates fitting them into existing wage structure.

3. The method helps in removing grievances over relative wages and thus may improve labour-management relations.

4. The method replaces the many accidental factors occurring in less systematic procedures, of wage bargaining by more impersonal and objective standards, thus establishing clear basis for negotiation.

5. The method may lead to greater uniformity in wage rates, thus simplifying wage administration.

6. The information collected in the processes of job description and analysis may also be used for the improvement of selection, training, transfer and promotion procedures on the basis of comparative job requirements.

7. Such information also often reveals that workers are engaged on jobs requiring less skill and other qualities than they possess, there by pointing to the possibility of making more efficient use of the plant's labour force.

Limitations of Job Evaluation:

1. Although there are many ways of applying job evaluation in a flexible manner. rapid changes in technology and in the supply of and demand for particular skills raise problems of adjustment that may need further study.

2. However, logical and consistent a system may be, account has to be taken of various limits to the possibility of changing apparently illogical elements in an existing wage structure. Certain external rates may have to be paid for "hiring jobs" whether they are compatible with the job evaluation system or not; traditional wage relationships, however inconsistent they may be, cannot always be altered.

3. When job evaluation results in substantial change in the existing wage structure, the possibility of implementing these changes in a relatively short period may be restricted by the financial limits within which the firm has to operate.

4. When there is a large proportion of incentive workers, and especially when incentives have to be changed frequently, it may be very difficult to maintain a reasonable and acceptable structure of relative earnings.

5. Job evaluation does not provide a complete answer to the wage problem. It has nothing to say about the absolute wage level and little about the absolute wage level and little about the absolute size of the wage differentials appropriated to the evaluated job structure.

6. In particular, the process of job rating is to some extent arbitrary because few of the factors and degrees can be measured with great accuracy.

7. Job evaluation takes a long time to install, requires specialised technical personnel and may be quite costly. One Canadian estimate put the cost of installing a scheme at $ 45 per job evaluated and maintenance charges at about 25 cents per employee per month.

8. The drawing up of job descriptions tends to formalise job contents, which may lead to abuses by workers who acquire a vested interest in maintaining the requirements for certain jobs.

9. Trade unions often regard the method with suspicion and in some cases with hostility.

Conditions Necessary for Operation of Job Evaluation :

In one of the most comprehensive surveys undertaken by the Industrial Relations Section of the Department of Economics and Social Institutions of Princeton University, covering some 73 companies employing 278 to 140,000 workers, the following conditions are indicated to be necessary for the successful operation of a job evaluation scheme:

1. It must be carefully established by ensuring (a) that management's aims are clear to all concerned and that not only manual workers but also all levels of supervision and management fully understand its implications, and (b) that all relevant internal and external factors have been taken into account in arriving at the final form of the scheme.

2. It must have full approval and continued backing of top management.

3. The trade union's acceptance of the scheme must be obtained.

4. Adequate administrative controls must be set up to ensure (a) centralised co-ordination of the scheme, (b) the evaluation of new and changed jobs, (c) the proper control of individual rate ranges and (d) the conduct of wage surveys to provide the necessary information about intra-plant wages.

5. The importance of factors other than job content in wage rate determination, for example, employment market conditions, sex, wage differentials, geographic wage differentials and the relative bargaining power 'of management and the trade union concerned, must be recognised.

Trade Unions and Job Evaluation :

I.L.O. reports that various unions allover the world have expressed favourable views regarding job evaluation and some others have given their unfavourable views also.

Favourable views:

Unions such as United Steel Workers of America, Commercial Telegraphers Union, International Ladies' Garment Workers' Union etc. in U.S.A., High Authority of the European Coal and Steel Community, The Italian Confederation of Trade Unions, Italian Workers' Union, General Confederation of Labour, French Confederation of Christian Trade Unions, Netherlands Federation of Trade Unions, etc. have expressed favourable views regarding job evaluation schemes. They may be summarised as follows:

1. Job evaluation is objective.
2. It replaces arbitrary determination of wages and salaries.
3. It reduces current and potential wage grievances.
4. It gives an opportunity to unions to participate in the fixation of firm's wages on the basis of complete equality.
5. It enables unions to obtain suitable wage adjustments more quickly and effectively.
6. It limits the power of unilateral management decision in wage matters.
7. It is an important instrument in improving union-management relations.
8. It can bring about a more rational and equitable wage structure.
9. It ensures the elimination of all discrimination.
10. It relieves the workers' representatives of daily discussions, explanations and debates about certain wage questions.

Unfavourable Views:

There are some unions which have expressed unfavourable views with regard to job evaluation. The Indian National Trade Union Congress, I.L.O. reports, considers the job evaluation scheme used in India to be very defective, "because of the absence of consultation with the workers in the evaluation of a scheme, the failure to inform them of the details of the scheme, the absence of union co-operation in the conduct of job evaluation, the failure on the part of the evaluator to carry out essential foundational procedures such as job analysis and job description, the failure to evaluate working conditions and hazards and the assumption of differentials instead of their ascertainment as a result of job evaluation."

The International Association of Machinists in U.S.A.are highly critical of job evaluation technique itself for various reasons expressed in their manual, "What is wrong with Job Evaluation?"

I. Basically, job evaluation tends to limit collective bargaining. This reflects in the following ways:

1. It tends to freeze the wage structure and thereby creates an obstacle to the correction of inequities. It restricts the right of negotiating on a rate of pay for each job year after year. It usually limits negotiations to bargaining for a fixed amount or fixed percentage for all formula" that usually does not result in equitable treatment for all.

2. It fails to consider all forces which determine wages, such as supply and demand, other contract or area rates, etc.

3. It tends to create a barrier between the employees and his understanding of his own job rate, because his rate is set in a manner not understood by him.

4. It tends to disregard the ability or the individual.

5. It places a ceiling upon wages which is contrary to a traditional objective of organized labour.

6. It disregards compensation for loyalty, *i.e.*, years of service, etc.

7. It tends to dilute traditional skills, creating many new occupations and many new classifications and thereby reducing wages.

8. It affects the seniority of employees by the creation of additional classifications.

9. It makes the promotion of employees into higher-paying jobs considerably more difficult because of the limiting characteristic of job descriptions.

10. It provides the company with a tool to downgrade employees during times of cutbacks.

II. Job evaluation presents a threat to the stability of our organisation, because of the following:

1. It necessitates the constant attention of additional trained representatives, thereby increasing the cost of representation to the local, district and Grand Lodge.

2. It provides management with a tool to play one group of employees against another.

3. It creates dissension within a local lodge (where members are from more than one firm) where all firms do not have job evaluation. It tends to hamper the efforts of the lodge in establishing uniform area rates.

4. It tends to place the responsibility upon the union for inequities that are not properly corrected since the union accepted the job evaluation plan and must, therefore, share in its shortcomings.

5. It compels the continuing and almost impossible task of educating job study committees and shop stewards in the many ramifications of the job evaluation plan in effect.

6. It encourages managements of different plants to work together and provides them with a basic method to achieve jointly desired results in the determination of wages; it strengthens management's opposition to the wage demands of the union.

III. The effects of job evaluation upon the general welfare of our society is discernible as it effects the supply of skilled workers. It ends to discourage *bona fide* apprenticeships and, therefore, reduces the reservoir of over-all skilled workers so that in the event of a future crisis a serious shortage of skilled manpower would result.

A Survey of Job Evaluation Programmes:

Mr. John A. Patton, Executive Vice President, George Fry and Associates, reports the significant findings of his survey (with more than 500 respondents) about job evaluation programmes throughout U.S.A. conducted in Mach 1960.

1. In examining the responses of those companies that rated their job evaluation programmes from "rather successful" to "highly successful" we discovered that 93 per cent of the organized companies and 86 per cent of the unorganized companies so rated themselves. The small difference in these percentages

would seem to indicate that success of job evaluation programmes has little or no relation to the question of whether the company's employees are organized or not.

2. Among the organized companies, 18 per cent indicated that their unions participated in their job evaluation programmes. Of these, 53 per cent rated their programs "highly successful". As compared with only 40 per cent which so rated themselves among those organized companies whose unions did not participate in their job evaluation programmes. These figures suggest that, in an organized company, job evaluation is more likely to succeed when the union participates in the programme.

3. Of the companies using a standard job evaluation plan, 93 per cent rated themselves "rather successful" to "highly successful". Of those using a modified plan, 9 per cent rated themselves likewise. Of these percentages, 43 per cent and 46 per cent, respectively, fell within the "highly successful" category. The small difference in these figures suggests that the type of plan used is not an important determinant of the success of a job evaluation programme.

4. In correlating the length of training of job evaluation personnel with the success of the programme, we discovered that only 38 per cent of those companies employing job evaluation personnel with less than six months' training rated themselves "highly successful", while 49 per cent of those companies whose job evaluation personnel be adequately trained.

5. The responding companies expressed a definite preference for candidates for the position of job evaluation analyst who have a university degree or its equivalent and some previous experience in industrial engineering or personnel administration. Seventy-three per cent expect candidates to have at least two years of college training, the remaining 27 per cent accept candidates with high school diplomas. Thirty – eight per cent, however, said that they prefer to choose their job evaluation analysts were described as falling into the following major areas of experience ; shop, 46 per cent ; office, 17 per cent ; engineering, 35 per cent; and others, 2 per cent.

6. Of the four types of job evaluation plans in general use, the responding companies indicated the following preferences: point rating, 85 per cent; factor comparison, 10.5 per cent; ranking, 3.5 per cent; and classification 1 per cent.

7. When we compiled answers on a geographic basis, we came up with these highly revealing correlations:

Percentage	East Percentage	Midwest Percentage	West
Union protested initiation of job evaluation programme	26	10	1
job evaluation has been a significant issue in contract negotiations	50	36	21
management made concessions to get union agreement	34	22	—
Union has attempted to eliminate job evaluation by negotiation	15	12	6
Union has a special job evaluation committee	49	31	27

These figures raise some interesting questions. Why have unions in the East protested against job evaluation so much more than unions in the West and Midwest? Do multi-plant companies fully understand the implications of these significant geographic differences? Have companies in the West and Midwest done a better job of educating their unions and achieving union participation in their job of educating their unions and achieving union participation in their job evaluation programmes than companies in the East? Are unions in the East more aware of the importance of job evaluation as a tool of management?

8. In response to the question whether the company would now initiate a job evaluation programme if one did not already exit, the following percentages answered affirmatively :

Companies with	Responding 'Yes' percentage
More than 5,000 employees	100
1,001 to 5,000	99
501 to 1,000	94
Fewer than 500	92.3

9. Fifty – five per cent of the responding companies answered the question, "How many union or employee grievances have you had about job evaluation?" The average number of grievances over the past three years was 31, but this average figure includes one large company which alone had 2,700

grievances. Subtracting this extraordinary figure, we found that the average dropped to 15, or only five grievances per year.

10. Over the past three years the responding companies averaged 18 regrades : 15 upward, 3 downward. Eighty-three per cent of the upward regrades were the result of changed duties, while 17 per cent were the result of re-evaluations of the same duties. The down-gradings were made on the same bases : 90 per cent and 10 per cent respectively. Twenty-six per cent of the companies reduced the pay rates of employees in downgraded jobs.

11. Only 26.5 per cent of the responding companies reported cases of arbitration which involved job evaluation. The companies won 73 per cent of these cases.

12. Fifty- two per cent of the companies relied upon the questions of their affected employees to guide them in explaining their job evaluation programmes. Twenty-four per cent asked their analysts to explain their programmes. Only the remaining 24 per cent actually devised a formal instruction programme for their employees. This finding is, I feel, one of most significant of the whole survey. It certainly has a direct bearing on the surprising figures on managers, supervisors and employees understanding of the job evaluation programme that emerged from the survey:

Understanding by	Good to average Percentage	Little or none Percentage
Top management	86.3	13.7
Middlemanagement..............	95.0	5.0
First-line supervisors	86.5	13.5
Employees.......................	45.3	54.7

Note that employees, the group most directly and importantly affected by job evaluation, were considered to have the least understanding of it.

Some of the companies reported that, of the four groups identified above, employees:

(a) Are most suspicious of the job evaluation programme.

(b) Are most inclined to regard it as a necessary evil.

(c) Are least convinced that job evaluation is the best tool the company could use.

(d) Are second only to organized labour in feeling that it is a plan manipulated by management to arrive at predetermined "result".

(e) Feel the most indifference towards and the least enthusiasm about the programme.

These comments reflect the opinion of only 3.2 per cent of the employees. Of the responding companies, so they do not detract greatly from the validity of my earlier observation that job evaluation is generally accepted today as an important tool of management. They do, however, emphasise the need for achieving understanding and acceptance of job evaluation among employees in order to enhance its effectiveness and value.

Findings of John A. Patton's Survey :

1. Job evaluation is regarded as an effective and valuable management tool in most companies which have job evaluation programmes today.

2. Job evaluation programmes are just as effective in organised companies as they are in unorganised companies. In organised companies, however, the chances of the programme success are increased if union participation is achieved.

3. The success of job evaluation depends more on the way the programme is explained and "sold" to supervisors, employees, and the union (if one exists), and on the way it is subsequently administered, than on the type of job evaluation plan used.

4. The need for formalised job evaluation programmes becomes greater as the size of the company increases.

5. Too many top company executives know too little about job evaluation ; its effectiveness. its potential uses, and its limitations.

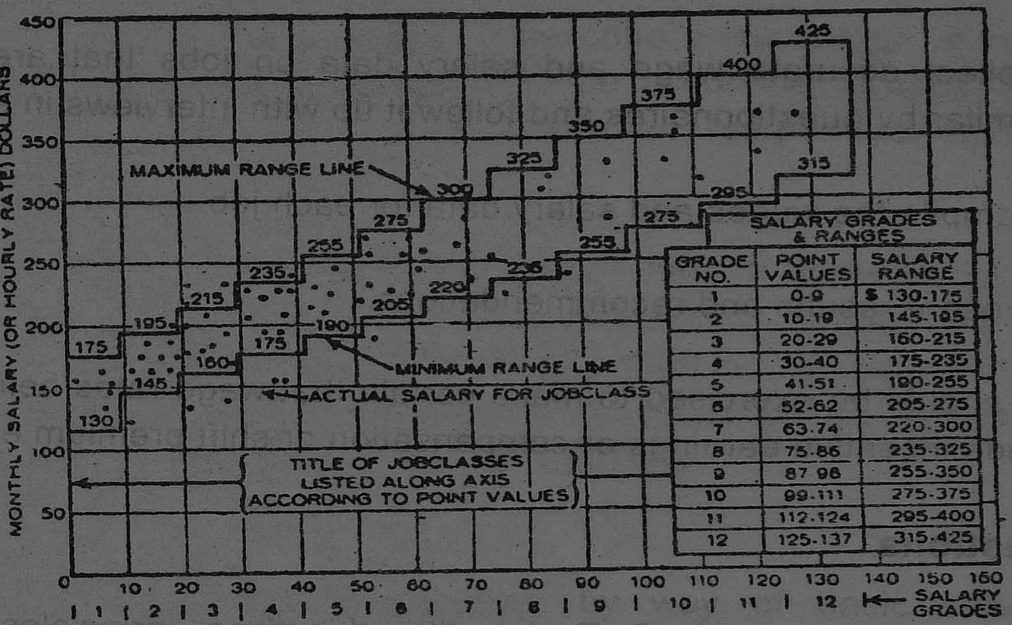
Patton suggests the following keys to the success of any job evaluation programme:

1. Well trained job evaluation personnel;
2. A supervisory force that understands and believes in job evaluation ;
3. Employees, organised or not, who recognise the need for and benefits of a job evaluation programme; and
4. A top management which is aware that job evaluation is neither a cure-all nor a one-shot operation, but a valuable, effective management tool that requires its continuing attention and support.

Pricing Jobs:

After determining the job content and difficulty and establishing job relationships, which give job structures, job can be priced. Job structures, when priced, give wage and salary structures, which indicate money relationships between and among jobs. Figure 6.1 serves as an illustration of typical job evaluation chart of salary grades and ranges.

Fig: 6.1



SALARY GRADES & RANGES

GRADE NO.	POINT VALUES	SALARY RANGE
1	0-9	$ 130-175
2	10-19	145-195
3	20-29	160-215
4	30-40	175-235
5	41-51	190-255
6	52-62	205-275
7	63-74	220-300
8	75-86	235-325
9	87-98	255-350
10	99-111	275-375
11	112-124	295-400
12	125-137	315-425

Typical Job Evaluation Chart of Salary Grades and Ranges
(for illustration only) (Business Research Corporation)

Wage Surveys:

Wage surveys play an important role in wage and salary administration. It enables the company to know what kind of wages and salaries for various jobs are ruling in the market within a community and industry. Some companies wish to be 'wage leaders', i.e., where the companies pay a slightly higher wages and salaries than the going rates with a view to attracting and holding good and efficient people and have an edge over the other competitors. But, most firms at least try to relate their wage policies and structures to the patterns established in the community and industry. It is indeed surprising to hear companies complain that they do not get good people and retain good employees any more and often such companies have fallen behind in the wage area without realising it.

A wage survey enables your company programme to keep in top tune and systematic wage surveys may be conducted by research institutions, leading firms, professional associations, employer associations. Usually systematic surveys include the following steps :

1. Select the area, industry to be included in the survey.
2. List key jobs and positions common to most firms in the survey.
3. Get detailed descriptions of the job, so that valid comparisons may be made.
4. Prepare schedule of information to be obtained, i,e., hourly rate, weekly earnings, etc.
5. Collect accurate wage and salary data on jobs that are essentially similar by questionnaires and follow it up with interviews in each firm.
6. Compile the wages and salary data for each job.
7. Present results and recommendations.

Care should be exercised to make certain that wage rates being compared do. not include incentive earnings or compensation or shift premium etc.

Model Questions

1. What is job evaluation? Explain its objectives, principles, steps and essentials for the success of job evaluation.
2. Discuss the merits and demerits of job evaluation.

UNIT - 7

WAGE STRUCTURE

Wages

Wages include family allowance, relief pay, financial support and other benefits, in the narrower sense, wages are paid for the services of labour in the process of production and include only the performance wages or wages proper.

The term wage structure is used to describe wage/salary relationships within a particular grouping. The grouping can be according to occupation, or organisation, such as wage structure for craftsman (carpenters, mechanics, bricklayers, etc).

The wage structure or grade is composed of Jobs of approximately equal difficulty or importance as determined by Job evaluation. A wage level is an average of the rates paid for the Jobs of an organisation, an establishment, a labour market, an industry, a region, or a nation. Hence, wage structure is a hierarchy of Jobs to which wage rates have been attached.

Basic Wage

The basic wage is the remuneration, by way of basic salary and allowances, which is paid or payable to an employee in terms of his contract of employment for the work done by him.

Basic wage is a stable wage paid over a period of time which could be on a monthly, weekly or daily basis. This wage is the normal rate for a given level of output. In other words, given a certain job, with all its attendant requirements of skill, training, etc., it is the price to be paid to get it done. The basic wage, therefore, does not fluctuate like dearness allowance or bonus but progresses more evenly over times in cases where there is a running grade, or else it remains stationary.

Various factors contribute towards the fixing of the basic wage. It is built upon the statutory minimum wage, the awards of industrial tribunals as well as the directives of the pay commissions at the national and State level and by collective bargaining.

Many researchers have drawn attention to the percentages of each of the components of an employee's wage packet, and it has been found that the basic wage component as a percentage is on the decline, while the DA component has increased its share.

However, employers do not generally favour using the concept of basic wage as a guide to wage determination because they prefer to base the wages of an employee on his contribution rather than on his need.

Dearness Allowance

The system of payment of DA arose after the First World War as a result of the steep rise in prices of essential commodities like foodstuffs. In order to neutralise the high cost of living a special allowance was given, called variously, and including the term, 'dear food allowance'. The DA was to protect the wage earners 'real wage by neutralising the increased cost of living. Therefore, the intent of DA was to give relief to the worker in inflationary conditions, by trying to offset the cost of living DA with an additional allowance. Various methods are used for linking DA with the cost of living index (e.g. the consumer price index). A significant feature in this respect is the wide variation that exists in the fixation of DA. The variations stretch across industries, regions, sectors, and Government and private establishments. Therefore, the matter has frequently been referred to tribunals and courts for adjudication. Another critical variable is the strength of the trade unions and their ability to secure greater gains for their members. Again, there is a difference between workers in the organized and unorganized sectors. The latter category receives in many cases, a consolidated wage.

Primarily, there are two systems of neutralisation the flat rate system of neutralisation and the escalating system linked to movement of consumer price index (CPI) numbers.

The flat rate system provides a lump payment to workers over a period of time to adjust for the growth in inflation. This system is simple, easy to calculate and helps the management with its cash flow planning. The rate of DA is related to the salary slabs, which is linked to a certain consumer price index. Another variation is to fix DA as a percentage of a basic salary slab.

However, with the rate of inflation increasing significantly, the workers wanted more immediate relief. Therefore, the system of a fluctuation DA came into being. In such a system, an index such as the consumer price index (CPI)., which is related to the cost of basic necessities of living forms the basis of fixing the DA. The points of neutralisation are determined according to the fluctuations in the CPI.

The main advantage of the escalating DA concept is that it serves the basic purpose of neutralising the increased cost of living. There are a number of practices followed by firms in the matter. The correlation between the increase in the number of points of the index to the quantum of money is a variable that has to be settled. Generally, the trend has been to equate it to slabs of pay so that the lower slabs get a higher weightage and the higher slab get a lower weightage.

In the Government system, for salaries above a certain level, i.e., Rs. 3,000 the quantum of DA is fixed.

Dearness allowance is also related to the ability to pay on the part of an Industry. This principle has been frequently challenged and enunciated upon. In Bangalore in 1987-88, the five major public sector undertakings threatened to go on strike on this issue of full neutralisation of DA. The government, through the Bureau of Public Enterprises, was not willing to compromise on this issue, considering the spread effect it would have on a large number of other public sector undertakings in the rest of the country. Both the tribunals and the Supreme Court took into account a firm's ability to pay, not only in terms of basic wage, but also in terms of DA and the extent of neutralisation. On the question of neutralisation the unions wanted a 100% neutralisation while the employer would have liked to vary that amount. On this the Supreme Court ruled that "dearness allowance must always be an a sliding scale providing for an increase in the rate when the cost of living rises and decrease when the cost of living falls".

A final issue with regard to DA is that of merging all of it or a portion of it with the basic wage. Often, it has been observed that the DA component forms a very high percentage of the basic wage. Union prefer merger for two reasons- it lends greater stability to a worker's pay packet, as the fluctuating component of DA is done away with and a higher basic wage enables a worker to enjoy more liberal perquisites like house rent, leave travel, provident fund, etc. On the other hand, the net effect of such a merger would increase the wage cost of an employer. But, given the fact that the cost of living is not likely to return to the pre-1970 levels and that a large component of the wages at the lower levels is made up of DA, it might be useful to rationalise the wage structure and provide greater security to workers by an amalgamation of a certain proportion of DA in the basic wage. In fact, many industrial firms in the organized private sector have done so.

Flat Rate DA

Under this method DA is paid at a flat rate to all categories of workers, irrespective of their wage levels, and regardless of changes in the consumer price index until the next review of the case. This method is simple to operate and is very well suited to small scale employers whose capacity to pay is limited. This method was widely prevalent in several Jute, cotton and engineering establishments in West Bengal in the early days of adjudication.

Graduated Scale of DA

Under this method, the DA increases with each slab of salary increase blithe rate at which the allowances is granted, reckoned as a percentage of the basic pay, steadily decreases as shown in the following example.

Graduated Scale of DA

Pay range	Amount of DA	Rate of DA as percentage of the maximum of the pay range
Upto Rs200	100	50.0
Rs 201-400	140	35.0
Rs 401-600	180	28.0
Rs.601-800	200	25.0

DA Computed According to Changes in Consumer Price Index

Under this method, first of all, a point consumer price index is specified above which the dearness allowance is payable. Then a flat rate is prescribed per point of index, or for a group of points. In this method, people get equal compensation irrespective of their pay. Thus, the unskilled worker gets the same amount of D.A. as the most skilled worker, consequently, workers in the lower wage groups receive a higher proportion of their basic wages as DA than those in the higher wage groups.

DA linked to Pay Slabs and to Consumer Price Index:

Under this method D.A is paid according to differential rates prescribed as percentage of pay for different grade pay slabs. Generally as high rate of DA is prescribed for a lower pay slab while a lower rate is provided for a higher pay slab. This method is in force in all Government Jobs.

Following are some of the important criteria laid down by the Supreme Court for regulating the payment of DA

1. Capacity to Pay

Capacity to pay is a criterion as much relevant to the payment of DA as to that the basic wages. When the financial position of the concern prohibits an increase in the wages of workers the same consideration must govern the demand for an increase in DA and the demand must be rejected (Delhi cloth Mill Chemical Works Vs. Its workmen, 1962). But, capacity to pay is not an overriding criterion according to a ruling of the Labour Appellate Tribunal which has not been overruled by the Supreme Court, when the total emoluments are below the subsistence level (National Tile works vs. Its workmen, 1956)

2. Rates Prevailing in Comparable Concerns in the Region

It has been specifically laid down by the supreme court in Greaves Cotton Company Case (1964) that in fixing the scale and rates of DA the tribunal must take into account the total wage packets (i.e. basic wage plus DA) of other similar concerns in the region and these compare them with the total wage packet of the concern under consideration.

3. Extent of Neutralization

In the case of Calcutta Tramways Co., Ltd (1957), the Supreme Court held that the only firm principle is that DA must always be fixed on sliding scale providing for an increase in the rate when the cost of living rises and a decrease when the cost of living falls (Work men of Hindustan Motors Vs. Hindustan Motors., 1962).

4. Same Rate of DA for Different Classes of Workmen

Following the egalitarian principle implicit in the socialist pattern of society in the Greaves Cotton Co Case (1964) the Supreme Court has held that employees getting the same wage should get the same DA irrespective of the nature of their work and that clerical and subordinate staff, and factory workers in the same establishment must be given in the same scale rates of DA.,

Over Time Allowance

They are paid in addition to basic wage to maintain the value of basic wages over a period of time, such allowance include holiday pay, over time pay, bonus and social security benefits. These are usually not included in the definition of wages. The provision of over time allowance can be important in maintaining the employees and reducing or keeping turnover and absenteeism low.

Depending on the exigencies of the work load, a supervisor may ask a worker to work over time, in order to cope with the extra work or a rush order that has to be fulfilled. The rates are normally 1.5 times the normal wage and on holidays it is twice the normal wage. However, in many situations it has become a vested interest (in order to boost earnings) and normal work is not done until OT is sanctioned or normal work is done only on an OT basis. Realising the huge amounts involved, many firms have restricted OT to the bare minimum, which again has to be cleared by the higher levels.

Other Components of a Worker's Pay Pocket

- A worker also receives a variety of other cash and non cash benefits, as a result of his being an employee of an organization. They are called perquisites or fringe benefits. Many of them are not directly related to the work or output of the particular job. Yet they have come to stay. Some of them are statutory. These perquisites are:

- compensatory city allowance
- house rent allowance
- leave travel concession
- medical benefits
- provident fund
- gratuity
- pension fund
- group-linked insurance scheme-superannuation benefits
- accident and death compensation while on duty in addition to other schemes through the firm's
- insurance plan
- ESIS (Statutory) -a wage deduction
- leave with pay
- education allowances
- Other perquisites included
- Food subsidy
- Transport subsidy
- House construction loan

These perquisites are a cost to the employer for which the wage earner does not do any specific work. There are variations in the quantum, type and cost of fringe benefits from one industry to another, from one region to another and from one sector to another. Many of these fringe benefits have been provided by the employer on his own initiative or they are the result of a collective agreement or the State has legislated that a certain benefit be provided which then becomes a cost.

These perquisites are provided to the workmen in order to retain them and enhance their efficiency.

Methods of Wage Payment.

There are two major kinds of wage salary payment plans: those in which remuneration does not vary with output or the quality of output, but depends on the time unit consumed in performing work. These are known as time wage plans.

Secondly, the incentive payment system is based on the results of the workers effort.

Time Wage

This is the oldest and most common method of fixing wages. Under this method, workers are paid according to the work done during a certain period of time, at the rate of so much per hour, per day, per week, per fortnight or per month or any other fixed period of time. The essential point is that the production of a worker is not taken into consideration in fixing the wages; he is paid at the settled rate as soon as the time contracted for is spent.

This system is prevalent in the engineering and processing industries and among clerical supervisory and managerial personnel where there is no rigid standardisation of work, and a certain amount, of skill is involved. However, within that time, a certain standard of performance is expected. In cases where the pace of output is machine-determined payment by time rates is quite suitable. The minimum wage rate, the need based wager the living wage fixed by the government wage towards or collective bargaining are all on a time-wage basis. This allows for adjustment. In the time and provides the efficient worker with leisure which in itself is incentive.

In recent times the measured day work has been introduced as alternative to piece rate systems, to cope with the changes in technology. Wage rate in this system is fixed for a particular job for which the performance level is spelt out. Failure to achieve the 'standard' results in disciplinary action. This plan is suitable for quality conscious industries and where capital investment per worker is heavy. However, its efficient working depends on expertise in industrial engineering, work measurement techniques, and the ability to make changes when there is a change in conditions and effective control by the management. It can probably have greater application in small units where unionisation is weak and there is less resistance to change and where managements can remove hindrances quickly.

Merits

The Merits of the system are:

1. It is simple, for the amount earned by a worker can be easily calculated.

2. As there is no time limit for the execution of a job, workmen are not in a hurry to finish it and this may mean that they will pay attention to the quality of their work.

3. As all the workmen employed for doing a particular kind of work receive the same wages, ill-will and jealousy among them are avoided.

4. Due to the slow and steady pace of worker, there is no rought handling of machinery, which is a distinct advantage for the employer.

5. It is the only system that can be used profitably where output of an individual workman or group of employees can be readily measured.

6. The day or time wage provides a regular and stable income to worker and he can, therefore, adjust his budget accordingly.

7. This system is favoured by organised labour, for it makes for solidarity among the workers of a particular class.

8. It requires less administrative attention than others because the very basis of time wage contract is good talk and mutual confidence between the parties.

Demerits

The main drawbacks of this system are :

1. It does not take into account the fact that men are of different abilities and that if all the persons are paid equally, better workmen will have no incentive to work harder and better.

2. The labour charges for a particular job do not remain constant. This puts the authorities in a difficult position in the matter of quoting rates for a particular piece of work.

3. As there is no specific demand on the worker that a piece of work needs to be completed in a given period of time, there is always the possibility of a systematic negation of work by workmen.

4. The system permits a man to work at a task for which he has neither taste nor ability, when he might make his mark in some other job.

5. As the employer does not know the amount of work that will be put in by each worker, the total expenditure on wages for turning out a certain piece of work cannot be adequately assessed.

6. As no record of an individual worker's output is maintained, it becomes difficult for employer to determine his relative efficiency for purposes of promotion.

Piece Wage

Under this system, workers are paid according to the amount of work done or the number of units completed or the rate of each unit being settled in advance, irrespective of the time taken to do the task. There is indirect implication that a worker should not take more than the average time, if he consistently takes more time than the average time, he does it at the risk of loosing his job.

Piece wages can be paid for workers who produce with simple manual operations, where their effort in terms of quantity or quality can be measured and paid for. A fixed price is payable per unit of output. The workers get their emaluments by their total output multiplied by the price per unit. A minimum hourly rate is guaranteed under the piece rate system. For slow workers it is only a time wage, for workers who are very smart and fast they gain more.

Merits

This system of piece wage has the following advantages;

1. It pays the workman according to his efficiency reflected in the amount of work turned out by him. It satisfies an industrious and efficient worker, for he finds that his efficiency is adequately, rewarded. This gives him a direct stimulus to increase his production.

2. Supervision charges are not so heavy, for workers are not likely to while away their time since they know that their wages are dependent upon the amount of work turned out by them.

3. Being interested in the continuity of his work a workman is likely to take greater care to prevent a breakdown in the machine or in the workshop.

4. As the direct labour cost per unit of production remains fixed and constant. calculation of costs and estimates becomes easier.

5. Not only are output and wages increased, but the methods of production too are improved, for the worker demands materials free from defects and machinery in perfect running conditions.

6. Total unit cost or production comes down with a large output because the fixed overhead burden can be distributed over greater number of units.

Demerits

1. The fixation of piece rate by the employer is not done on a scientific basis. In most cases, he determines the rate by the rule-of-thumb method, and when he finds that the workers, on an .average, gets higher wages compared to the wages of workers doing the same task on a day-rate basis.

2. As the workers wish to perform their work at breakneck speed, they generally consume more power, over working the machine, and do no try to avoid wastage of materials. This results in a high cost of production and lower profits.

3. There is a greater chance of deterioration in the quality of work owing to over zealousness on the part of workers to increase production.

4. Excessive spending of work may result in frequent wear and tear of plant and machinery and frequent replacement.

5. Trade unions are often opposed to this system, for it encourages rivalry among workers and endangers their solidarity in labour disputes.

Balance Method

This is a combination of time and piece rates. The worker is guaranteed an hourly or a day rate with an alternative piece rate. If the earnings of a worker calculated at the piece rate exceed the amount which he would have earned if paid on time basis, he gets credit for the balance, i.e., the excess piece rate earnings over the time rate earnings. Where piece rate earnings are less than time rate earnings he is paid on the basis of time rate, but the excess which he is paid is carried forward as a debt against him to be recovered from any future balance of piece work earnings over time and earnings. This system presupposes the fixation of time and piece rates on a scientific basis.

Piece Time Rate System

The standards of performance are quoted in units of time regardless of the time actually taken to complete the task.

Differential Piece Rate System

Two rates are fixed for a job after a level of performances established by a time study. One rate is higher than the going time wage, the other lower. In case of lower standards of performance, the lower rate is paid. Since this system can also discourage, in view of the high task level it is almost non existent.

The traditional piece rate system is prevalent in mines, plantations, and in the textile clothing industries where it is easy to relate effort to production and the work is standardised, repetitive and easily measurable. Considerations of quality are important when adopting the piece rate system. Since many industries still use intermediate technology and since the productivity of labour is a very important factor, the piece rate system is a common basis for incentive payment. It is also a strong inducement to the worker to increase his output as he can easily calculate the increase in his earnings. However, this system has its disadvantages. It cannot be used in modern capital intensive industries. It also becomes difficult to compensate the worker with DA by increasing his wage-a lower output on his part will mean a low DA. He may over-exert himself in his eagerness to earn more or may ignore quality. Technological innovations will necessitate the revision of piece rates. The subsequent gains to productivity may not be easy to compute in terms of human effort and technological effort.

Incentive Systems

An incentive or reward can be anything that attracts a worker's attention and stimulates him to work. In the words of Burack and Smith, an incentive scheme is a plan or programme to motivate individual or group performance. An incentive programme is most frequently built on monetary reward, (incentive pay or monetary bonus but may also include a variety of non-monetary rewards or prizes).On the otherhand, French says, the term incentive system does hot include 1. Wage and salary payments and merit pay; 2. Over time payments, pay for holiday work or differential according to shifts (i.e.,) all payments which could be considered incentives to perform work at undesirable times; and 3. Premium pay for performing dangerous tasks. It is related with wage payment plans which the wages directly or indirectly to standards of productivity or to the profitability of the organisation or to both criteria.

Features of Incentive Plan:

1. An incentive plan may consist of both monetary and nonmonetary elements. Mixed elements can provide the diversity needed to match the needs of an individual employees.
2. The timing, accuracy and frequency of incentives are the very basis of a successful incentive plans.
3. The plan requires that it should be properly communicated to the employees to encourage individual performance, provide feedback and encourage redirection.

Wage Incentives System

According to National Commission on Labour "wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person over above the time rated remuneration, for improvements in the present or targeted results".

Objectives of Wage Incentive System

Wage incentive system aims at the fulfillment of one or more of the following objectives ;

1. To improve the profit of a firm through a reduction in the unit cost of labour and materials or both.

2. To avoid or minimise additional capital investment for the expansion of production capacity.

3. To increase a worker's earnings without draging the firm into a higher wage rate structure regardless of productivity; and

4. To use wage incentives as a useful tool for securing a better utilisation of manpower, better production scheduling and performance control, and a more effective personnel policy.

Wage incentives increase the earnings of workers and improve the efficiency of the unit, thereby lowering costs. They encourage workers to accept technological improvements, resulting in increased production, and a better standard of living for themselves.

India probably leads the way in the use of wage incentives as a method of increasing workers productivity. While, to workers it means earning more, managements find that they can make better use of their manpower, and thus reduce production costs. Sun gives a number of reasons for the importance of wage incentives on productivity: (i) wage incentives offer a relatively easy way to pull up the efficiency of a worker to a higher level; (ii) financial incentive might be motivationally more effective than other forms of incentives; (iii) job control is still largely in the workers' hand; and (iv) Proper application of wage incentives can benefit the community. The only practicable and self-sustaining means of improving manpower utilisation is to introduce incentive schemes and stimulate human effort to provide a positive motivation to greater output.

Incentive Scheme

The Study Group appointed by NCL defines wage incentives as extra-financial motivation. An incentive scheme can apply to an individual, a group or all employees in an enterprise. Incentive schemes are introduced when the management finds production reveals poor in relation to wages or when there is a threat from a competitor in terms of cost. The incentive scheme should take into account different factors like adequacy of the additional income, the constancy of these earnings and the time gap before the worker is able to collect his incentive wage -he may have immediate need for it, or may have allocated it for specific purpose. An incentive scheme, however, cannot be a substitute for good management. The role of the management is of primary importance for the success of an incentive scheme.

Working of Incentive Scheme

The work receives an increased wage, which is the incentive in return for a better standard of performance. Hence, in any incentive scheme a 'standard' has to be fixed. The discretion of introducing an incentive scheme and fixing standards of performance have been left to individual employers. However, this is subject to two safeguards; (i) that the union or the workers can make a complaint and that will have to be looked into by the management; and (ii) that the adjudication authorities can intervene on the basis of this complaint, using expert advice (or else its judgement is invalid) except in the case of 'agreements' in conciliation proceedings between unions and managements, regarding the incentive scheme which has been registered with the conciliation officer.

An incentive scheme based on rate of output will applicable to provision work, quality conscious industries, or where hazardous work is involved. All incentive schemes are based on the assumption of acceptable quality, but some work demands exceptional quality whatever the time involved.

Fixation of Standards :

Usually, companies take as the 'standard' the average performance of the previous years and then add to it the percentage they consider necessary to bring it to an acceptable level. A standard can also be fixed, using more scientific techniques. Chatterjee has classified these techniques under the following headings.

1) Time Study

This consists of breaking up an operation into distinct units, and then calculating the production time when the worker is actually working. The next step is the rating or leveling process -the level of performance of an employee is compared to that of a normal worker or group, involved in the same process of production. By this method, management is able to arrive at "the normalised effective time" for the operation. Standard time will be evolved after making certain allowances for fatigue, etc., which may be considered reasonable. In the second and third steps, allowances have to be made for time for personal needs, periods of lack of concentration, night shifts, etc.

2) Work Measurement

It includes the time study method, originally known as the time and motion study. Some of the other work measurement techniques are given below.

3) Sympathetic Data

Sometimes, managements are in possession of data from previous studies, of operations similar to those for which an incentive scheme is intended. Using this data, and making some adjustments and synthesising available facts, a new incentive plan is drawn up.

4) Analytical Estimation

This is a process of estimating a reasonable standard time for each job or operation by comparing it with previous data derived by work measurement techniques. This method is best applied to non-repetitive jobs.

5) Activity Sampling

Most incentive schemes have a minimum guaranteed wage as a safeguard against excessive fluctuation in earnings. This wage is paid when, even with a willing work force, production cannot be increased due to unavoidable circumstances such as powercuts, machinery faults, etc. To ensure the working of an incentive scheme, a 'cut-back wage' is paid when the standard is not achieved- the reduction in wages (cut-back wage) is in proportion to the reduction of work. The National Productivity Council in its analysis of 131 Indian companies found that the majority of incentive schemes are based on past performance data and less than 40% on scientific wage measurement while a smaller number combine both methods.

Different Kinds of Incentive Schemes

In advanced countries increased wage do not provide a major incentive to worker to increase productivity. Sometimes they prefer leisure to increased wages. Hence, better conditions of work, leisure, changed working practices or methods are conceded to workers, in addition to higher wages sometimes, to stimulate them to greater effort, to increase productivity.

The ILO has, however, classified incentive schemes into three more groups- where earnings are proportionately less than output; where there are more than output and where earnings are in proportions which differ at different levels of output. Marriott in his study of incentive payment systems in the UK, felt that incentive schemes should include more than the ILO classification, and cover long-term incentive schemes such as profit sharing, co-partnership or those based on standards of production, sales, or profits.

Need for Wage Incentive System in India:

1. The efficiency of the Indian worker is very low, and needs to be raised. Wages incentive can play an important part in improving his efficiency.

2. The average Indian worker is financially very poor. Financial incentives therefore, are likely to tempt him to work better.

3. India is at a lower level of technology, and wage incentives can help in promoting the use of electronic devices.

4. A proper application of wage incentive system can so affect the prices that the community would be benefited.

5. In the national interest, it is felt that wage incentive system should be applied to all economic activity.

Types of Wage Incentive Plans

Wage incentive plan may be discussed as 1. Plans for blue collar workers. 2. Plans for white collar workers 3. Plans for managerial personnel -because each of these needs and specific plans tailored for each category may prove beneficial.

1. Incentives Plan for Blue Collar Workers: For Individuals

A short term plan: Every employer wants his workmen to do the maximum work they are capable of doing. On the other hand there is a feeling among the workers that an increase in effort, benefits only the employer even when they are employed on a piece rate basis. The result is that they never produce to their full capacity and in most cases, put in the minimum necessary work. This feeling on the part of workers may be removed either through fear or through expectation of gain. It has been found that fear can never produce the desired effect; but hope of earning a bonus does induce them to work harder and produce more. Incentive plans are before known as premium plans because they offer a premium for outstanding performance.

Individual Pay Determination

The management has to decide whether air individuals in jobs of the same level should be paid the same pay or different pay and how this should be determined.' There are four basic approaches to the determination of individual pay; the single rate approach, the informal approach, the automatic approach, and the merit approach.

1. **Single Rates:** When employee performance cannot vary significantly on the job because every one is required to work at about the same pace (e.g. in simple office jobs) single rates are frequently paid to employees on jobs

2. **Informal Approach:** Sometimes individual pay decisions are made on an informal basis without formal guides or controls. This creates inequities and confusion among employees regarding what is expected of them. Lack of company wide standards may also result in pay decisions influenced by personnel favouritism.

3. **Automatic Approach:** Under this approach both the amount of the pay increase and the period of review are usually predetermined. In this approach since no consideration is shown to worker's individual performance or merit he does not have enough incentive to put in greater effort.

4. **Merit Rating Approach :** Merit rating is a management practice designed to gear the pay of employees to actual differences in work accomplishments. Merit rating systems assume that performance can be observed with reasonable accuracy even when it cannot be objectively measured.

Advantages of Incentive Compensation

A scientifically devised, systematically evolved, and effectively administered incentive scheme has its obvious merits and could benefit employers, employees and the community in general.

1. There is increase in the prospect of workers to earn more.

2. The scientific work study which is done before introducing a wage incentive plan brings about improvecments in methods, workflow, man-machine relationship and so on.

3. Employees promptly expose all such problems before management which retard their earnings. Management becomes more alert in areas such as flow of process materials, adequate spares, etc.

4. Employees are encouraged to become "inventive". They invent and adopt ways and means to achieve their production targets with lesser exertion and lesser expense of energy.

5. There is improvement in discipline and industrial relations. Go slow and similar other techniques are not resorted to by the workers to express their dissatisfaction with management policies and practices.

6. There is effective reduction in the supervision costs. Closer supervision of employees becomes unnecessary because workers become more responsible.

7. There develops a feeling of mutual co-operation among the workers as their operations are interdependent and any hold-up it one point may affect the production and earning at other points.

Bad Effects of Incentives Compensation

Incentive compensation may produce certain ill-effects unless precautionary steps are taken to check them in advance. These ill effects are as under:

1. There is a tendency among the workers to sacrifice quantity.

2. In the absence of adequate provisions incentive payment brings about certain rigidity in the operations. This makes it difficult for the management to revise norms and rates following changes in technology methods, machines, materials, etc.

3. Unless greater vigilance is exercised there is a danger of workers disregarding safety regulations.

4. Unless a maximum ceiling on incentive earning is fixed some workers tend to overwork and under mine their health.

5. Jealousies may arise among workers because some are able to earn more than others. In the case of group systems, the fast workers may be dissatisfied with the effort of the slower members of the group one likely effect or this is the splitting up of trade unions.
6. The introduction of a system of payment by results increases the amount and cost of clerical work since it involves considerably more book-keeping.

7. Employees very often ask for compensation whenever production flow is disrupted due to the fault of the management.

Kinds of Incentive Compensation Plans

A wide variety of incentive wage plans has been devised by industries under which the worker earnings are related directly to some measurement of work done either by himself or by his group. Such plans are generally classified into four main groups according to variations in the worker's earnings relative to output;

(i) Plans with worker's earnings varying in the same proportion as the extra output;

(ii) Plans with worker's earnings varying at a lower rate than the increase in the output;

(iii) Plans with worker's earning varying proportionately more than output; and

(iv) Plans with worker's earnings varying in different proportions at different levels of output.

Plans in which worker's earnings vary in the same proportion as their extra output. These are as under:

1. Straight Piece-Rate System

The simplest of air wage incentives may be described as the straight piece-rate system. This may be applied either to individual workers or to teams of workers employed together on a job. The earnings paid to the workers are in direct proportion to the work done. The output whether of individual or teams is measured and the earnings are in exact ratio to it. For example, if the piece rate is Rs.1 for each unit of output, then a worker who produces 20 units in a given time, say 8 hours, will be paid Rs.20. Another worker whose production is 25 units will receive Rs.25, and so on in proportion. The system is easy to understand and each worker can reckon what his earnings will be, as he knows each hour or day what he has produced and, therefore, what amount should be in his pay packet at the end of the month.

For this system or any other method of payment in proportion to output the process and the product must be uniform or standardised, and large quantities must be produced by repetition. A good example is cloth of specified quality produced by weavers. They can be paid a piece rate for each yard of cloth woven.

Coal-miners are often paid for each tonne of coal they extract. The work should be of such a kind that workers are able by their efficiency, speed and concentration on the job, to produce more and therefore earn more.

The system is not, however, suitable where workers by working rapidly to earn more money will be likely to lower the quality of the goods they produce. Nor should it be applied where workers are liable to be kept waiting for material on which to work or because machines break down. Where such delays occur any piece workers whose output and earnings suffer from them can be protected by arranging that the piece-rate system shall be supplemented by a guaranteed daily, weekly or monthly wages which shall be paid irrespective of output.

The piece rates must generally be fixed at each factory or work place and only rarely by collective agreements covering a number of factories. This is because the conditions of work, the processes and the products differ in each undertaking, and allowance must be made for these differences when setting the rates. A separate rate must be fixed for each different occupation on the basis of time studies of workers on the job.

2. Standard Hour System

In this method, a standard time is fixed for completing a job. .If the standard time for a particular job is 12 hours and the worker completes it in 8 hours, he will earn for 8 hours of work at the rate of one and a half times his hourly rate of pay. The same is the case of worker for whom the 'standard time' to produce a unit is fixed at 0.01 hour (i.e., 100 units per hour), if he produces 150 units per hour.

Plans in which workers' earnings vary proportionately less than their output. These are as follows :

1. Halsey System:

Under this system a 'standard time' is fixed (on the basis of past performance records and not on the basis of elaborate time study) for the completion of a job. If the worker completes the job in less than the standard time, for the time actually spent on the job he is paid at his hourly rate plus a bonus for the time saved. This bonus is calculated at his hourly rate on a percentage (usually 50) on the time saved by him. Thus, if a worker's hourly rate is 40 paise and he completes a job in 6 hours for which the standard time fixed is 8 hours, he will be entitled to get 280 paise for his hours of work on that job.

Halsey Premium Plan is a time saved bonus plan which is ordinarily used when accurate performance standards have not been established. Under this plan, it is optional for a workman to work on the premium plan or not his day's wage is assured to him whether he earns a premium or not, provided that he is not so incompetent as to be useless. A standard output within a standard time is fixed on the basis of previous experience. The bonus is based on the amount of time saved by the worker. He thus gets wages on the time rate basis.

2. Halsey-Weir Premium Plan:

This plan is similar to the Halsey premium plan except that 50% of the time saved is given as premium to worker.

Bonus = Y2 x time saved + Hourly Rate.

3. Rowan Premium Plan:

In the Rowan plan the time saved is expressed as a percentage of the time allowed, and the hourly rate of pay is increased by that percentage so that total earnings of the worker are the total number of hours multiplied by the increased hourly wages. The plan aims at ensuring the performance of the premium rate, which is often cut by the employer when the worker's efficiency increases beyond a certain limit. The premium is calculated on the basis of the proportion which the time saved bears to standard time.

For example, if the worker's hourly rate is 40 paise, and he completes the job in 6 hours for which the standard time set is 8 hours; since he effects a saving of 25 percent of the standard time, he is entitled to get 300 paise for his 6 hours of work on that job.

4. Bedeaux System:

The standard time under this system is determined by time and motion study. Each minute of allowed time is called a point so that there are 480 points in an 8 hour day. A standard number of points is fixed for completing the job. If the data for calculation is the same as in previous examples, the standard time (number of points) required for completing the job will be 480 and these 480 points are earned by him in 6 hours. Points earned in excess of the rate 60 per hour is 120. His wage for the 6 hours of work will be :

Wages at hourly rate for 6 hours (40 x 6) = 240 paise

$$\text{Bonus} = 75 \text{ percent of } \frac{120 \times 40}{60} = 60 \text{ paise}$$

Total wages for 6 hours work = 240 + 60 = 300 paise .

The percentage of 75 is very often raised to 100 with corresponding increase in bonus to the worker.

Bedeaux Point Plan is used when carefully assessed performance standards have been established. It differs from the 100% plan, in that the basic unit of the time is the minute termed as B. Every job is expressed in terms of B's (after Bedeaux), which means that a job should be completed in so many minutes. If a particular work is rated at 60 B.s (or one B Hours), the worker is allowed one hour for its completion and receives a bonus of 75% for the number of B.s (i.e.,) time saved.

5. 100% Premium Plan:

Under this plan, task standards are set by time study or work sampling, and rates are expressed in time rates rather than in money. A definite hourly rate is paid for each task hour of work performed. The plan is identical with the straight piece rate plan except for its higher guaranteed hour rate and the use of task time as a unit of payment instead of a price per piece. The worker is paid the full value of the time saved.

6. Taylor's Differential Piece Rate Plan:

This system was introduced by Taylor with too objects. First, to give sufficient incentive to workman to induce them to produce up to their full capacity, and second to remove the fear of wage cut. There is one rate for those who reach the standard. They are given a higher rate to enable them to get the bonus. The other is the lower rate for those who are below the standard, so that that hope of receiving a higher rate may serve as an incentive to come up to the standard workers are excepted to do certain units of work within a certain period of time. This standard is determined on the basis of time and motion studies.

7. Barth Variable Sharing System:

The standard time under this system is determined by time and motion study. The worker's pay is calculated by taking the square root of the product of standard time and the time actually taken for finishing the job and multiplying it with the hourly rate. With the data in the previous examples, the worker under this system is entitled to get.

$\sqrt{8\times9\times40}$ = 69 x 40 = 276 paise.

For level of output above standard the worker's earnings under this system are always lower than under straight piece work for standard task but for low levels of output below standard the earnings are relatively higher.

It should be noted that with the exception of the Barth system all other systems guarantee a minimum time rate for the worker irrespective of the quantum of output.

Plans in which worker's earnings vary proportionately more than their output. Under the High Piece-Rate and Standard Hour Systems, the worker's earnings are in direct proportion to his output but the increment in earning is proportionately greater than the increase in output. For an increase of1 per cent in output above standard the, worker can get 1.33 per cent in earnings above his hourly rate.

Plans in which worker's earnings vary in different proportions at different levels of output.

1. Taylor Differential Piece-Rate System:

This system has low piece rate for output below standard and a high piece-rate for output above standard with a bonus of 50 per cent of the hourly rate of wages when standard output is attained.

2. Merrick Differential Piece-Rate system:

This system is a modification of the Taylor system. Straight piece rates are fixed up to 83 per cent of standard output, at which a bonus of 10 per cent is paid, and a further 10 per cent on reaching standard output. Beyond standard output high piece-rates are paid.

Merrick's Multiple Piece Rate System, too is-based on the principle of a low rate for a slow worker and a higher piece rate for higher production, such a scheme is introduced in an organisation where the performance level is already high and management is aiming at 100% efficiency, Management has some discretion in distributing the 20% of time rate over 17% of production above 83%.

3. Gnatt Task and Bonus plan:

This plan has been devised by H.L. Gnatt pays a bonus percentage multiplied by the value of standard time. Under this system, which fixed time rates are guaranteed, output standards and time standards are established for the performance of each job workers completing the job within the standard time or in less time receive wages for the standard time plus a bonus which ranges from 20% to 50% of the time allowed and not time saved. When a worker fails to turn out the required quantity of a product, he simply gets his time rate without any bonus.

Under this system, for output below standard the worker gets a guaranteed minimum hourly rate. On reaching standard output (which task is set at a high level), he gets 20 per cent bonus. For outputs exceeding the standard high piece-rates are paid.

4. Emerson Efficiency System:

Here a standard time s fixed for a job, and a record is made of the actual time taken by the worker to complete it. Each worker's efficiency is derived by dividing the standard time by the time taken. For example, a worker completing a job in 10 hours for which the standard time fixed is 8 hours will be treated as one of 80 per. cent efficiency.

Most systems of payment by results present no marked advantages when compared with one another and they can be judged only by how they work in practice. Every system has some advantages which are dependent largely upon the conditions of production, the psychological conditions in the plant and the objectives to be aimed at. The choice of a system can therefore, only be made having regard to the circumstances in each case.

Under Emerson Efficiency Plan, a standard time is established for a standard task. The day wage is assured. There is no sudden rise in wages on achieving the standard of performance. The remuneration based on efficiency rises gradually. Efficiency is determined by the ratio between the standard time fixed for a performance and the time actually taken by a worker. Thus if the period of 8 Hours is the standard time for a task and if a worker performs it in 16 hours, his efficiency is 50%. He who finishes the task in 8 Hours has 100% efficiency. No bonus is paid to a worker unless he attains 66% efficiency, at which stages he receives a nominal bonus. This bonus goes on increasing ill, when he achieves 100% efficiency, the bonus comes to 20% of the guaranteed wage.

5. Co-Partnership system:

Under this system, not only does a worker share in the profits in the undertaking but he also takes part in its control and, therefore, shares responsibilities. In a co-partnership system, the following factors are present.

1. The payment of the existing standard wages of labour.
2. There payment of a fixed rate of interest on capital.
3. The division of the surplus profits, between capital and labour in an agreed proportion.

4. The payment for a part of the worker's labour by the allotment of a share in the capital.

5. The sharing in the control of the business by the representative of labour.

6. Accelerating Premium Systems:

These are the systems which provide for a guaranteed minimum wage for output below standard. For low and average increase in output above the standard, small increment in earnings are allowed. Increasingly large earnings are concerned for average output, the increment being different for each 1% increase in output. Very·significant increases in earnings are given for really high output.

7. Long Term Wage Incentive Plans:

Under such plans, each member of the group receives a bonus based on the output of the group as a whole.

Three Forms of Incentive

1. Standard Output:

A standard output per man hour is laid down for a department or for the plant as a whole and the bonus is paid in proportion to which actual output per man-hour exceeds the standard, the other conditions of work remaining the same.

The value added by manufacture at factory cost leading to cost reduction forms the basis for calculating the bonus. If the actual cost of production is lower than the standard cost of the extent the workers are able to influence such reduction-by harder working, saving in materials, fuels, lubricants, etc- a bonus whose money value is percentage to the cost reduction is paid.

Bonus can also be calculated on the increased value of sales where this result is obtained by increased production.

2. Incentive Plans for White Collar Workers and Salesmen:

The salesmen are usually given incentives in the form of sales commission. There are several incentive plans, each appropriate for different markets, products, etc., but all plans are basically variations of three types of plans, straight salary method, straight commission and combination method of salary and commission basis.

3. Incentives for Management Employees:

In many organizations, the managers are paid bonus. There are two types of bonus plans. One determined by formula (i.e some criteria like increased sales) and two determined by some discretion used allocation of bonus (i.e paid on more or less permanent basis). This bonus plans are general by viewed annually to make them more effective.

Although incentive compensation plans are in general used in mining, rubber, textile and metallurgical industries, the great majority of workers throughout the world continue to be paid by time. This is because incentive compensation plans are difficult to apply and payment by time is particularly well suited to the following types of industries.

a. Industries in which measurement of individual or group output is rendered difficult or impossible either by technical considerations (as in the case of maintenance work) or by psychological circumstances which might be prejudicial to output.

b. Industries in which control of quality is necessary and is particularly difficult or in the case of certain classes of workers, the high quality and precision of whose work's of prime importance.

c. Industries in which .the work is specially dangerous and it is particularly difficult to ensure the observance of adequate safety precautions.

d. Industries in which several product modifications, design change or job stoppages take place or where there is a tradition of unsatisfactory shop floor relations.

Group Incentive Plans

Individual systems of payment by results are not suited to cases where several workers are required to perform jointly a single operations as in the case of steel melting furnace in an engineering works. It is obviously impossible to measure the output of individuals. If it is desired to introduce a system of payment of results for such workers, this can only be done on a group basis. All of the various individual systems described above may be applied to groups of workers, although piece work is most common.

The earnings of each member of the group are determined first of all by measuring the amount of production which passes inspection as it leaves the group. The total earnings for the group are then determined and if all the members are of equal skill these earnings are usually divided among them equally. Frequently, however, the members of the group are not of equal skill. In these cases, the total earnings of the group may be divided among the members in proportion to their individual time rates or according to specified percentages, or in some cases among only a certain number of the members of the group.

One particular advantage of group incentive schemes is that they encourage team spirit. They are most appropriate where people have to work together and teamwork has to be encouraged.

Plant Wide Incentive Plans

Systems of payment by results may be applied to a whole factory or plant. Such systems differ from group system in that the requirement of interdependence of operations does not necessarily apply and in that whereas under group systems the amount of production is measured and the earnings of the group are calculated at short intervals, under factory or plant system the measurement of production and the calculation of bonus may be carried out at relatively lengthy intervals, generally once a month. In some cases, a certain time is allowed for standard output to be produced and special bonuses are paid if this is achieved, or a standard output per man-hour is laid down for the plant and bonus declared in the proportion by which the actual output per man-hour exceeds the standard. In other systems bonuses are declared according to change in the value of output at factory cost, or in the value of sales. The bonuses ale frequently paid to the individual workers in proportion to their time rates. This provision can be made for not only direct but also indirect workers to participate.

Payment by Results to Indirect Workers

Various systems of payment by results are also sometimes designed for indirect workers such as maintenance workers, cleaners, inspectors and packers to reward them for their increased efforts. It is argued that apart of increased production which the direct workers may achieve is attributable to the efforts of indirect workers. Further, the work of these workers is increased because of increased production, as in the case of inspectors. Payment by results may also be designed to avoid the dissatisfaction among the workers in a plant, or even strikes which may result if indirect workers are paid at their time rates while once workers are receiving substantial bonuses.

Floor sweepers are sometimes allowed a standard time to sweep a special area of floor; and if they complete the job in less than this time they are granted a bonus according to the time saved. On the grounds of equity, a single system of bonus payments is often applied to all/or most of the indirect workers in a plant even though it would be possible to measure accurately the output of some of these workers such as inspectors or packers. In some cases the bonus is calculated according to some agreed principle on the output of the plant or of a department. In others the bonus is a specified percentages of the bonus or total earnings of all or some of the direct workers. Many managements, however, prefer to apply a merit-rating system to indirect workers which rewards these workers for other qualities in addition to their output.

Other Plans

Some other incentive compensation plans are as follows:

1. Scanlon Plan:

Designed by Joseph Scanlon, a trade union leader, the plan has two important features. First, it provides a participative framework and a gain sharing mechanism. The employers are provided an economic inducement to utilise their knowledge for the benefit of an organisation. Thus, the emphasis is on the know-how rather than on physical efforts. Under the gain-sharing mechanism, generally an agreed percentage of saving in labour costs is paid to employees as bonus. The management and labour together determine the required norms. Second, the monetary reward scheme covers the entire plant and not any particular group of employees only.

2. Productivity Bargaining:

It is an agreement between the management and workers wherein gains and concessions are progressively linked to improvements in productivity. Gains and concessions are given to workers in return for elimination of most, if not all, restrictions on productivity such as "go slow" and "work-to-rule" practices. The success of this incentive scheme presupposes the existence of a strong labour union which may be able to force its members to abide by the agreement.

3. Measured Day Work:

Under this scheme, first of all attainable standards of work are carefully set. Employees who meet these standards are paid standard hour rates. They are not expected to produce above standards but failure to meet the standard results in disciplinary action. The emphasis is thus, on gearing employee performance to fixed standards. There is no incentive under this method to perform above the established standard.

4. Merit-Rating Incentive Scheme:

Under this individual merit can be recognised and rewarded in three different ways :

(i) By giving additional increment to the employee on the basis of impressionistic judgement management.

(ii) By giving some ad hoc reward to the employee in amount determined by the management.

(iii) By rewarding the employee on the basis of objective merit rating and rational scale of reward.

In the first form of merit rating there is no immediate relationship between reward and effort, for the reward is received, if at all, after the lapse of a long period of time.

5. Profit Sharing:

Under profit sharing, payment is linked to the prosperity of the business as a whole and is paid in addition to ordinary wages or salary. It can cover all or the specified categories of employees and may be current or deferred, Current profit sharing has direct appeal and provides comparatively a more direct incentive to workers to increase efficiency. Under deferred profit sharing, the relationship between effort and reward becomes too remote; as such it provides no direct incentive, It may, however, have a stabilising influence on workers' purchasing power.

Profit sharing is different from wage incentives. Wage incentives are directly connected with .the output of industrial workers or teams of workers. Profit sharing schemes, on the other hand, are related to the profits of the company, and these depend not only on the efforts and output of the workers but also on the efficiency of management, the quality of the firm's machines, the enterprise of its salesmen in finding markets at home and abroad, the state of trade and other factors.

The objective of most profit sharing schemes are to increase motivation and commitment. They aim to encourage employees identify themselves more closely with the company by developing a common concern for its progress.

In many advanced countries of the world the word bonus carries the same meaning as.profit sharing. It is used to denote the desire of the employer to share with his workmen the fruits of their joint enterprise. Bonus in these countries is linked with profits. If there are no profits in any year there is no bonus.

6. Employee Stock Ownership Plans (ESOPs):

Nowadays there is a growing realisation in many Western countries that employees ownership is a good way to run a business. Companies make tax detectable contributions of stock or cash to a trust fund to buy stock. The stock is then allocated to the employee who acquire an increasing right The stock as they gain seniority. When they leave or retire, they receive their stock and either sell it on the market or sell it back to the company. A typical ESOP owns about 40% of the company although the percentage varies from 1 to 100.

7. Suggestions System:

It is a system designed to encourage and reward the submission of valuable and practical ideas for improving operational efficiency. There is another variation of this system in which employees are encouraged to submit complaints and suggestions relating to their personal needs. This latter is more properly classified as a form of communication rather than as a form of compensation.

The management should set up a committee consisting of a workers representative, the head of Research and Development Department and the personnel manager to ensure complete impartiality in the administration of the scheme. The committee should examine each idea without knowing the name of the person. Alternatively the work of the evaluation of ideas can also be entrusted to the works committee if it already exist.

The areas in which suggestions can be submitted are also specified by the management. Some such areas are; maximum utilisation of existing machinery improvement in the methods of production, elimination of defective production and waste, effective use of safety precautions and devices.

A suggestions plan usually encounters two problems. First, the plan may face indifference or opposition from line supervisors or staff personnel who consider all suggestions coming from employees as a reflection on their efficiency. Some companies try to get round this problem by giving the supervisor credit for all suggestions made in his department, by having .his employees submit their suggestions directly to him instead of the suggestions committee, and by involving the supervisor in evaluating suggestions and handing out rewards. Second, employees themselves may sometimes oppose the system if they fear that a good suggestion may backfire, that is, it may through an improvement in operational efficiency destroy their own jobs or the jobs of their fellow workers. Employees' fear can be removed by assuring them before the suggestion system is inaugurated that labour-saving suggestions will not result in lay-offs.

Suggestion schemes in most companies in India are barely twenty years old and there is wide divergence of opinion about the utility of these schemes. The system is warmly appreciated by these companies where the implementation of suggestions has approved their working processes, effected enormous savings and reduced their dependence on imports. There are, on the other hand, companies that have their suggestion boxes lying empty for long spells or used by workmen for purposes other than intended, till eventually, these were removed in disgust.

Suggestion system has been successfully implemented by some undertakings in the public sector. For instance, in Hindustan Aircraft Ltd., the management runs a "cash your idea scheme" under which employees are given cash awards for the useful suggestions made by them. The suggestion system has been introduced in all the three plants under Hindustan Steel Ltd. In Durgapur, employees up to the level of foremen are eligible to participate in the scheme. In Bhilai all employees except research workers and those who are in a privileged position of having at their disposal information obtained from various sources are eligible to participate in the scheme. In Rourkela, even class I officers can participate in the scheme.

The quantum of reward is determined on the basis of savings resulting from the technical and economic benefits of the suggestion. In the Bhilai and Durgapur plants the upper limit of the reward has been fixed at 20 per cent of the savings while in Rourkela no such limit has-been fixed. Apart from each awards, certificates of merit are also awarded in all plants.

At the national level a suggestion system is run by the Ministry of Labour, Government of India, to promote inventive genius among workers and create a sense of participation in them. Three classes of national 'Shramvir' awards are conferred every year on such workers who display some inventive genuius and effect considerable economy by raising production.

Requisites for the Success of an Incentive Plan

1. The first and foremost requirement for the successful introduction of a wage incentive plan is a proper climate wherein the issues can be dispassionately viewed by all the parties concerned. This means that relations between the management, the supervisory staff and workers should be happy and free from suspicion. Management must, therefore, ensure association of workers during the development and installation of the scheme. It may also sign an agreement with the union. Even a sociological study of the industrial unit may be done to sort out the favourable and unfavourable aspects of the scheme and to eliminate waste of resources resulting from non co-operation from workers later on.

2. Employees must have full knowledge of the goal of the scheme for instance, the management may have the goal to maintain quality or to bring down rejects, wastage, etc. When this is not communicated to employees they may try to achieve quantity only at the expense of quality.

3. The incentive plan should be simple to understand. The benefits of the scheme should be quite obvious to the workers concerned. Further they should be easily calculated by the workers. Complicated plans and formulae sow seeds of doubt and distrust in the worker's mind.

4. Plan should be equitable. This means that it should cover and should provide equal opportunity to all employees whose jobs can be adapted to the incentive method of payment. Otherwise, dissatisfaction will result among those employees who have no opportunity to participate in the higher earnings possible under the scheme.

5. Plan should be flexible. This means that it should have elasticity to take care of technological and other changes taking place from time to time or for rectifying obvious errors that may have crept in at the time of its initial introduction. 'At times during the periods of recession or due to reduction of quota of raw material by the government or due to accumulation of stock or want of order for sale, etc., the management may require less production.

6. Incentive payments under the plan should be large enough in relation to the existing income of employees. A raise of Rs.20 to a person getting Rs.200 pet month would perhaps be a more meaningful gain than to the one drawing a monthly salary of Rs.2,000.

7. Incentive payments should follow the work as close in point of time as possible.

8. The plan should not be very costly in operation. Actually, besides incentive wages, there are many other items of expenditure such as job evaluation, methods of improvement, work measurement, additional supervision, better inventory control, etc., which will have to be incurred while installing an incentive plan. It should be ascertained in advance that these costs are amply covered by the resultant benefits.

9. The plan should not be detrimental to the health and welfare of the employees. This may even involve a ceiling on the maximum earnings by way of incentives.

10. The plan should be instrumental in satisfying as many needs as possible (other than economic needs) at all levels of hierarchy.

11. A guaranteed base rate should be included in any plan. This constitutes the element of security that employees want. Because they lacked this feature, many early plans were rejected by employees.

12. The standards set for the payment of wage incentive should be of average difficulty. If the employees can beat the standards easily they would hardly experience any competition. A fair and just standard is the key to any incentive plan and employees must have confidence in both the technical capacity and the integrity of those who establish these standards.

13. Work standards once established should be guaranteed against change. Proportional effort on various jobs should be rewarded proportionately and no standards should ever be changed unless (i) an error has been made in calculation (and even here if the error is relatively small no change should be made) or, unless (ii) a change in work method or work conditions has been effected. This rule must be strictly adhered to by management. If an employee is justly earning an "excessive", bonus, his rate should not be cut instead management should be glad to have such an efficient employee on its payroll.

14. Standard working conditions should exist. Standard work places, standard materials, standard control procedures, etc., are necessary for any system of incentives. Standardisation is the basis of incentive work.

15. Management must set up a suitable machinery to handle all grievaness arising from the implementation of the incentive plan.

16. Incentive audit system should be devised to assess periodically the effectiveness of the scheme against accredited objectives and to provide feedback information for management to take corrective steps. Any system of incentive plan that is worth installing is worth maintaining.

Fringe Benefits

Wages are often augmented by special benefits, by the provision of medical and other services or by payments in kind that form part of the wage for expenditure on the goods and services. In addition workers commonly receive such benefits as holiday with pay, low cost meals, low rent housing, etc., such additions to the wage proper are sometimes, referred to as fringe benefits. The provision of benefits and services can be and are important in maintaining the employees and reducing or keeping turnover and absenteeism low.

Coverage of Benefits

a. Premium, payments for the period of time a worker has worked (for eg). payment on daily or weekly basis, holidays overtime pay, cost of living bonus, bonus in lieu of vacation.

b. Payment for special duties such as working on grievance redressal procedures and labour contract negotiations.

c. Payment for health and security benefits; Retirement plans, profit sharing and savings plan, hospital insurance, medical old age, and unemployment compensation.

d. Payment for time not worked: Which includes sick leave, medical care, rest periods, bunch periods, payment for holidays, severance pay, etc.

e. Payment for employee services includes subsidies, house financing, parking space operations, etc.

f. Other expenditure such as that incurred on making christmas gifts, educational reimbursements, safety equipment allowance, accident insurance, etc.

In India, several methods are employed in fixing the workers' wages. Different bodies such as the pay commissions, wage boards, industrial tribunals and labour courts as well as, the high courts and the Supreme Court perform this task. Wages are also fixed through collective bargaining and job evaluation.

An employer and his workmen either singly or jointly have a number of mechanisms by which they arrive at an agreement about a wage rate and the attendant perquisites. In order to decide upon wage rates which are realistic an employer may scan the labour market to gather data on what the current rate is, at the various levels of skills that he wishes to employ as well as the comparative wage rates in similar industries for similar skills. Another criteria for fixing of wage rates is the employer's capacity to pay.

The employer should, therefore, have adequate capacity (financial resources) to pay the market price for a particular skill. A related dimension is the effect the increased costs will have on the competitiveness of the firm and hence its viability in the market. This criteria of the capacity to pay varies from firm to firm and a specific approach has to be formulated in each case.

Some of the methods adopted are discussed below:

1. Legislation
2. Wage boards
3. Job Evaluation
4. Collective bargaining

Legislation

Industrial unrest immediately prior to and after Independence led to the evaluation of a policy of minimum wages. Many other factors contributed to the enactment of the Minimum Wages Act, 1948, to regulate industrial wages, the chief among them being the emergence the ILO which set standards in respect of labour and the increasing power and militancy of the trade union movement. The Minimum Wages Act, 1948 emphasised that if exploitation of labour through low payment of wage was to be prevented, wages had to be regulated and could not be entirely determined by market forces. Under the provisions of the Act, the State and the Central Governments were empowered to fix minimum wages for 144 scheduled categories of employment.

The terms which have acquired currency is discussing wage problems since 1948 are: (i) statutory minimum wage; (ii) bare or basic minimum wage; (iii) minimum wage; (iv) fair wage; (v) living wage and (vi) need-based minimum wage. The first term owes its origin to the provisions of the Minimum Wages Act, 1948. The second is used in awards and judicial pronouncements. The next set of three terms have been introduced in the report of the Committee on Fair Wages (CFW) and the last named one in the Resolution of the 15th. Session of the Indian Labour Conference in July 1957 . The general scheme on fair wages is that the minimum wage represented the lower limit of the fair wage. Beyond it was the higher level of the fair wage, and the highest level of the fair wage was the living wage.

The upper limit was to be set by the capacity of the if industry to pay in the present and on its future prospects. For purpose of calculating a fair wage the needs of a standard family of three consumption units were to be considered. The Committee on Fair Wages felt that on no account should the fair wage be lower than the minimum wage.

Salary Administration - Executive Remuneration

Labour as one of the contributing factors of production is entitled to suitable remuneration for its efforts in the processes of various shades of economic activity. Labourers are rewarded in the form of wages to compensate them for the skill, energy, efforts, i.e., all their physical and mental qualities used to turn out the work allotted to them. The payment of wages is indeed a vexatious problem for personnel management to be tackled from economic social and humanistic angles.

The management has to undertake the responsibility of paying a fair remuneration to the workers at all levels proportionate to their role and performance in the assigned catalogue of duties. Scientific wage policy has to be designed to attract the talented personnel and to motivate them for higher productivity. Wage policy is also an important factor in maintenance of morale and discipline and preservation of contenment and initiative among the rank and file of workers. From the point of employers or management wages are significant element of aggregate costs and are also the harbingers of workers' efficiency and morale. A good pay-master enjoys highest rating in reputation. Workers loyalty to the firm depends on the wages paid according to fair norms and opportunities open to them for increasing their remuneration.

From the point of employees, wages are the source of their income and the means of livelihood. Fair and progressive wage policy helps in maintaining and raising the standard of living of workers. Moreover, well designed wage policy promotes cordial industrial relations avoiding the possibilities of strikes, lock outs and other perversities in labour management relations.

Wage policy, therefore, aims at stimulating productivity, ensuring reasonable standard of living, maintaining discipline among the workers and preserving industrial peace. Quantity and quality of work would be influenced by the quantum of wages paid to the workers. Profitability of the undertaking and its goodwill are dependent on the productivity of the personnel which in turn depends on the earnings assured for them. The very quality of the personnel is influenced by remuneration payable to them. At the same time, it should be remembered that unrealistic wages paid to workers regardless of their worth and work would spell economic deadlock for the industry. Hence, wage policy should be designed in such a manner as to reconcile the objectives of economy in costs, efficiency in performance and adequacy of earnings essential for maintaining workers' living standard and social status consistent with criterion of equity. In the words of Shubin, "both employees and management are keenly interested in the design and operation of the company wage system; it affects the level of workers' earning, the case of recruiting and maintaining and effective labour force, morale and efficiency and the firm's costs and competitive standing in the industry". In short, the industrial peace, constant flow of production and distribution will be to a large extent influenced by the satisfactory scheme of employee remuneration.

Role of an Executive

J.L. Bower in his book 'The two faces of management' says, " The job of an executive in an organisation involves managing the evolution of purpose, the recruitment of members, and the balancing of individual inducements with contribution so that the strength of the organisation is adequate to its chosen taste and the value of its work creates adequate wealth to maintain the organisation."

A definition given by the Government of India, in the Companies Amendment Act of 1988, a 'Manager' means an individual (not being the managing agent), who, subject the superintendence, control and direction of the board of directors, has the management of the whole, or substantially the whole, of the affairs of a company and includes a director or any other person occupying the position of a manager, by whatever name called, and whether under a contract of service or not and Managing Director means a director who, by virtue of an agreement with the company or of a resolution passed by the company in general meeting or by its Board of Directors, or by virtue of its memorandum or articles of association, is entrusted with (substantial power of management) which would not otherwise be exercisable by him; and includes a director occupying the position of a managing director, by whatever name called. As will be observed not only definitions of manager, and his role vary widely; perception about him and his role cover a spectrum; even vocabulary – wise, there is hardly any consistency between: "Manager', an ' Executive ' and ' Administrator '.

Thus, executives are rewarded in the form of salary to compensate them for the skill, energy, efforts, education, responsibility, etc. All their mental and physical qualities used to achieve the goal of an organisation. For fixing their salary, certain standard wage / salary policy ought to be framed providing due weightage to their qualities.

Objective of Wage Policy

The concept of paying as little as possible with a view to maximise profit is no longer valid. These days wages are used as a method of increasing profitability through increase in productivity, induced by suitable wage adjustments. A purposeful wages policy should help in achievement of the overall of the firm. The objective of profitability, efficient service to the consumers, healthy relations with labour, less labour turnover, better quality of work, high employee motivation are the major considerations governing the wage policy. Human dignity, social economic equity, financial capacity are the prime factors to be borne mind designing a wage policy or compensation plan. The basic criteria of wage schedules should conform to the objectives cited above.

Following are the criteria of wage fixation:

1. Productivity

2. Comparative levels of compensation

3. Individual needs.

4. Cost of living.

5. Ability to pay.

6. Maintenance of consumer demand and prosperity.

1. Productivity:

Productivity represents the contribution of the workers towards increased output. Wages, it is felt, should be commensurate with the productivity of the respective workers. Wages are fixed and further raised in proportion as the output rate increases. Productivity is the yard-stick of labour efficiency, wages linked thereto would provide incentive and stimulus for quicker, accurate and higher performance. Wages fixed according to productivity would also help the firm in keeping close grip over costs.

2. Comparative Wage Levels:

Wages are fixed on the pattern followed in other enterprises. Comparative levels are used both by labour and management to prove their contentions in any bilateral negotiation for wage fixation. Wages paid by competing firms or other enterprises for particular type, quantity and quality of work are compared and categorised and accordingly wages in a given firm are fixed around the comparative levels.

3. Individual Needs:

Wages are often fixed with a view to enable the worker to meet his needs. The wages should be sufficient as to sustain the wage-earner and his family. Wages should give the recipient adequate purchasing power to possess the goods and services essential to satisfy his needs. Minimum wages legislation is enacted to ensure the workers the irreducible minimum income to fulfill their needs.

4. Cost of Living:

Changes in cost of living influences the availability of real earnings to the workers to meet their needs. Higher cost of living erodes the purchasing power of the workers. Hence, it is found desirable to vary the wage ranges as per the variations in cost of living. Money wages are not important to satisfy the workers' needs and real wages matter most. Hence, money wages should be adjusted to maintain the real wages intact.

5. Ability to Pay:

Fair wages are linked with the ability of the firm to pay. Subject to minimum subsistence and assured of productivity, wages are to be increased as the firm's net profitability increases. If the firm's earnings increase beyond the reasonable level of return on capital employed, workers are said to be entitled to participate in the increased surplus. Of course, the fair level of profit should be precisely determined first. The negative effect on managerial incentive to expand should also be avoided.

6. Maintenance of Consumer Demand and Prosperity:

It is also argued that wages should be increased in order to step up demand for the goods and eventually to stimulate higher production and employment. But, the impact of higher wages is ignored. Arbitrary wage increases may bring about cost spiral, price inflation and consequent erosion of purchasing power.

In the light of the objectives explained above, it can be said that the management should give weightage to internal and external factors in designing the wage policy. **Internal factors** governing the wage policy are mainly-

i. proportion of labour cost to total cost:

ii. types of skills required;

iii. technological changes and their effect on job content and

iv. individual productivity.

External factors are-

i. earning capacity and financial position

ii. stability of business and future prospects

iii. conditions in the market

iv. trade union policies and attitude and

v. prevailing wage levels in the adjoining area and similar industry.

Characteristics of a Satisfactory Wage System

Any wage system should reconcile the interests of workers, management and the community at large. Following are the broad features of an ideal wage plan.

1. Wages should enable the workers to maintain the standard of living to which they are accustomed.

2. A guaranteed minimum should be included in the wage plan so as to enable the workers and their families to lead a decent living.

3. Wages should be commensurate with the capacity of the industry to pay. Reduced capacity due to mismanagement should not however be an excuse for sub-standard wages.

4. Wage system should envisage a scheme of incentives in the form of extra remuneration, bonus or premium to meritorious workers for their extra-skill, better workmanship, prompt performance, etc.

Wage system should be used as a level to regulate production and enhance efficiency by financial motivation.

"A good wage system should not only reward productivity but should provide an incentive for the worker to meet or exceed the standard every day. Such a system facilitates production control and tends to reduce the unit cost of production in the long run".

5. Wage plan should be such as to encourage even the beginners. With addition to experience and skill, wages should be raised in a phased way.

6. Wage plan should be stable but "sufficiently flexible to permit adjustment" according to changing conditions.

7. Wage plan should be simple and intelligible to average worker. Complicated procedures confuse the workers and create suspicion among them. As J. Lundy observes, "it is almost impossible for a wage plan to be purposeful, and inspirational if it cannot be thoroughly understood". Simple wage plan avoid distrust of the workers in the motives of the management

8. Wage System should be objectively designed on the basis of equality to all. "Wage system" says Lundy, "should be fair in that it should compensate employees without discrimination among individuals. It should not sanction deviations for the unjust abusing or rewarding of an individual".

9. Wage plan should fit into the general budget of the firm. It should not damage the viability of the firm and dislocate its cost structure. It should emphasise low labour costs and increased productivity.

10. Wages should be such as to attract talented personnel and related to the educational, professional and general abilities of the personnel in different grades and positions.

EXECUTIVE COMPENSATION

Following factors seem to govern the compensation paid to an executive in an organisation:

1. Job Complexity:

The complexity of an executive's job depends upon. (a) the size of his company as measured by its sales volume. (b) the company's rate of growth as reflected in the percentage increase in company's fixed assets, and (c) geographical diversity, i.e., the number of States in which the company carries on its business operations. On these variables will generally depend the number levels of management, span of control and the magnitude or responsibility vested in the job. The greater the complexity, the higher is the compensation paid to an executive.

2. Employer's Ability to Pay:

This is a major determinant of executive compensation. Companies with greater ability to pay can offer higher remuneration in order to compete for the scarce executive talent.

3. Employer's Education and Experience:

This factor though critical in determining entry into the management cadre of a company becomes less important for purposes of salary determination of executives who reach top management positions. At this point the job and the person become inseparable from each other so that the determination of all executive's salary becomes highly subjective in nature.

Low per capita output in the developing countries arises from limitations of supply rather than demand. The problem is to enlarge productive capacity for fuller mobilization of natural resources, by increasing the stock of reproducible capital, by raising the skill and productivity of the labour force, and by improved techniques of production. These activities require an increase in private saving, government revenues, and (usually) foreign borrowing. In real terms, progress requires that consumption should rise less rapidly that output. The overall policy objective is maximisation of national output. But, employment is also an important policy objective.

In the light of overall development objectives the wage system has three major functions:

1. To ensure an optimal distribution of national income among wages, profit and government revenue that distribution which will produce desired increase in the investment and consumption over time. The kind of wage behaviour required for this purpose depends partly on the combination of output and employment targets embodied in overall development strategy.

2. To aid in raising the productivity of labour starting from a low level of consumption, wage increases may have a substantial effect on physical health and vigour. Wage differentials based on skill are a major incentive to learn new skills and move up the occupational ladder. Skillful use of incentive payments can stimulate workers to produce more on the same job.

3. To encourage re-allocation of labour sectors of the economy in which labour demand is rising, which will usually also be sectors of higher productivity. The wage structure is, not the only but, an important labour allocation mechanism in the sense that 'wrong' wage differentials can impede desirable transfer of labour.

These might be termed the distributive (in a consumption investment sense), the productivity and the allocative functions of wages. All three, however, are production-oriented in the sense of contributing to a higher level of national output. But, emphasizing these functions or objectives of wages, we imply that certain other functions are either impracticable or inappropriate. For example, wages policy should not be regarded as a device for regulating the general price level. It is clearly the domain of fiscal, monetary and exchange rate controls. In the less developed countries where policy tools are primitive, it would be quite unrealistic to regard wage controls as usable for price stabilisation. Even in developed countries, where wage-setting institutions are quite elaborate, "incomes policy" has little effect on wage price behaviour.

Model Questions

1. What is meant by dearness allowance? Explain the different methods of computation of dearness allowance.

2. Explain various methods of wage payment and point out the merits and demerits found in each method.

3. Discuss the meaning and importance of wage incentive system. Explain any two types of incentive plans.

4. Write short notes on:
    a) Basic wage
    b) Over- time allowance.
    c) Fringe benefits.

5. Explain the criteria for fixing remuneration for employer.

6. Write an eassy on internal wage structure.

7. Explain the concept of industrial wage structure.

8. Critically evaluate the regional wage structure in India.

9. Elucidate the problems relating to housing in India

10. Write short notes on:
    i. Hours of work
    ii. Remuneration policy
    iii. Housing Scheme for low income people.

11. Explain the wage policy of the Government of India.

12. Describe the various housing schemes implemented in India.

13. Write an essay on wage policy and economic development.

UNIT - 8

PROFIT SHARING

Meaning of Profit Sharing

Profit Sharing implies that the employer gives a share in the surplus profits of the business to the workers, in addition to the wages. There is an agreement between the employer and the employees to receive this share. Profit sharing must be distinguished from the payment of bonuses. Bonus depends mostly on the sweet-will of employers or Award of a Tribunal or, as in case of India now on an Act of the Government. Bonus is considered to be a share of the worker in the prosperity of the concern or as deferred wages.

Profit sharing is based on a definite agreement between the employers and the workers under which workers are to receive a share in the profits to the concern like a shareholder. Now a days, a tendency has come to regard profits and wages together and the workers are considered to have a right to share in the profits along with their wage. The Marxian theory, that profits are "stolen wages", is not seriously taken now because profits are considered as an essential part of the industrial system, and to remove the evils of exploitation of labour, profit sharing schemes are suggested.

Profit sharing is regarded as a stepping stone to industrial democracy. Prof. Seager observes, "profit sharing is an arrangement by which employees receive a share, fixed in advance of the profits. It is an agreement (formal or informal) freely entered into by which an employee receives a share fixed in advance of the profits"

Profit sharing involves the determination of an organisation's profits at the end of the fiscal year and the distribution of percentage of the profits to workers qualified to share in the earnings. The percentage to be shared by the workers is often predetermined at the beginning of the work period and is communicated to the workers so that they have some knowledge of their potential gains. To enable the workers to participate in profit sharing, they are required to work for a certain number of years and develop some seniority.

Features of Profit Sharing

The main features of the profit sharing schemes are:

1. The agreement is voluntary and based on joint consultation made freely between the employers and the employees.

2. The payment may be in the form of cash, stock of future credits of some amount over and above the normal remuneration that would otherwise be paid to employees in a given situation.

3. The employees should have some minimum qualifications, such as tenure or satisfy some other conditions of service which may be determined by the management.

4. The agreement on profit sharing having been mutually accepted is binding and there is no room on the part of the employer to exercise discretion in a matter, which is vital to the employees.

5. The amount to be distributed among the participants is computed on the basis of some agreed formula, which is to be applied in all circumstances.

6. The amount to be distributed depends on the profits earned by an enterprise.

7. The proportion of the profits to be distributed among the employees is determined in advance.

Profit sharing is not a system of wage payment as such. Profit sharing and bonus (also known as profit sharing bonus) are two different things for the former, sharing implies sharing on an equal footing rather than yielding on the part of a management to a persistent demand. Profit sharing bonus on the other hand refers to the distribution of profits on the basis of certain percentage of one's monthly wages. Moreover, it is not voluntary and is based on agreement.

Types of Profit Sharing

Employee profit sharing is often regarded by employers as a supplementary benefit programme. Three basic types of profit sharing plans are in use. They are

a. Current (cash) profits are paid directly to employees in cash or by cheque or in the form of stock as soon as profits are determined (eg. Monthly, quarterly, biannually or annually)

b. Deferred profits are credited to employed accounts to be paid at the time of retirement or in particular circumstances (i.e., disability, death, severance or under withdrawal provisions during employment).

c. Combination by which apart of the profits is paid in cash and apart is deferred and placed in the employee's account in a trust fund.

Objectives of Profit Sharing

A profit sharing scheme is generally introduced to achieve the following objectives:

1. To promote industrial harmony and stabilisation of the work force.
2. To eliminate waste in the use of materials and equipments.
3. To create a sense of partnership among employers and employees and to increase employee interest in the company in which he works.
4. To attract desirable employees and retain them, thereby reducing the rate of turnover.
5. To encourage employee thrift.
6. To provide a group incentive for a larger output.
7. To encourage employee security, and
8. To demonstrate some measure of social justice to employees.

Principles of Profit Sharing

Profit sharing may be based on the following principles.

1. Industry Basis:

The profits of a number of industrial units in the same industry may be pooled together to determine the share of labourers. Such a scheme has the advantage of putting the whole labour force in a particular industry on a uniform basis.

2. Locality Basis:

Industrial units in a particular locality may pool their profit determine labour's remuneration by way of profit sharing. However, if there are heterogeneous industry a locality, where work of labour is of a widely divergent nature, there may be great difficulties bringing about an adjustment in their share.

3. Unit Basis:

This is the simplest way of giving a labourer a share in the profits of the individual undertaking in which he is employed. This mode of profit sharing establishes a close relationship between the efforts of labour and rewards it receives.

4. Departmental Basis:

Sometimes the various departments of an industrial unit may have their separate profit sharing schemes. This aims at bringing about an even closer relationship between worker's efforts and the reward he receives.

5. Individual Basis:

A worker receives a proportion of the profit which may have been earned by a business through the efforts of that particular worker. This aims at bringing about a direct and most intimate relationship between individual effort and reward. In practice, it is impossible to determine such profits.

Profit Sharing in Indian Industries and Government Policies

To be effective profit sharing schemes should be based on the following considerations:

a) Profitability of Industrial Units:

Industrial units should be profitable for, without profitability the profit sharing scheme would not succeed. In other words, there should be comprehensive and flexible scheme for incentives and other kinds of bonus which promote productivity. Until these essentials have become permanent features in an industry and unless working conditions in a business have been stabilised, the purchasing power of the people has been considerably increased, and profits are sufficiently high to ensure their distribution between workers and shareholders, profit scheme would be sound or any thing more than a paper scheme.

b) Computation of Surplus profit:

The computation of surplus profit for distribution should be arrived at by deducting from it normal and additional depreciation and initial or development rebate so that the replacement or modernisation cost of plant and equipment is properly provide for. Losses when they occur should also be deducted before the profit for the subsequent years are declared. If additional bonus is to be paid, its payment will have to be made out the balance left over and above deductions. The margin of profits should be adequate an substantial so that, after providing for all these expenses, there must be a surplus of a sizable amount to be distributed among the workers.

c) Fair Return on capital:

The return on the capital invested in an enterprise should be that which would encourage partnership investment. It should be at least 6% on paid up capital, with a charge of 10% to be made for reserves.

Scanlon plan

This plan was developed in 1937 by Joseph Scanlon, a Lecturer at the Massachusetts Institute of Technology and a trade union leader in a steel mill. The plan was designed to involve the workers in making suggestions for reducing the cost of operation and improving working methods and sharing in the gains of increased productivity.

Industrial Policy Resolution:

When the Industrial Truce Resolution was passed, it was mentioned in the resolution that surplus profit is to be shared by the workers. In their statement on Industrial policy of 1948 Government accepted this resolution. The Government set up a Profit Sharing Committee of experts in 1948 to advise on determination of fair remuneration for capital and bonus/profit sharing. The committee made the following recommendations.

1. It was impossible to chalk out a system of profit sharing in which the workers' share of profit could be determined on a sliding scale depending on many factors besides labour and to that extent do not bear and measurable relation to what labour does or does not do.

2. At the first instance the profit sharing system should not be tried in the following six industries.
   A) Cotton Textiles B) Jute C) Steel D) Cement E) Tyre F) Cigarettes.

3. Profit sharing is to be considered from three significant angles.
   a) Profit sharing is an incentive to the productive process.
   b) method of promoting employer-employee relations thus maintaining industrial peace.
   c) method of inviting the labour to take part in the management of the industry.

4. The capital employed has to be treated as paid up capital plus the reserves kept intact for the business purposes.

5. A share of 50% of the surplus profit was recommended. In the case of individual worker's share exceeded 25% of his basic wages and excess to be held on his account either in his provident fund or otherwise.

6. Unit-wise distribution of the share in certain selected cases, it was recommended that it should be tried on an industry-cum-locality basis.

Limitations of Profit Sharing Schemes

There are many limitations to a profit Sharing scheme. It is disliked by labour leaders because employers often use it to weaken the trade unions and to make the labourers dependent upon the employers and not upon their own organised activities in trade unions. Profit sharing sometimes, makes the workers work beyond their strength and thus, it ultimately results in low wages. Then, the amount of profits going to the workers has not been large in many cases, and the workers suspect a good faith and honestly on the part of the employers in distributing the profits. Hence, they do not take much interest in profit sharing scheme. In India, such a suspicion would be greater because when some clever capitalists can deceive the income-tax authorities as regards their profits, it would be much easier for them to deceive the workers. Besides, when such a scheme is introduced, both the employers and the workers try to show that the increased profits are due to their respective efforts.

There are many other objections also to a scheme of profit sharing. It is difficult to calculate the net profits, because depreciation charges, taxation, reserves, return on paid-up capital, etc. are the things which require great technical knowledge in determining the net profits. Besides, the employers always say that if the labourers claim a share if the profits will they undertake to pay a part of the loss, if the business gets into loss. Profit sharing may also make the-workers sluggish and production, instead of increasing, may actually diminish.

Professor Taussig says: "The prospects that profit sharing will be universally adopted are nil; even the prospect for widespread adoption is slight". Until a congenial atmosphere of mutual trust is created between the employee and the workers such schemes cannot be successful. It will also be going too far to say that profit sharing can remove industrial disputes. It can at the most minimise their occurrence.

Labour Co-partnership

Participation in profits, without any powers in the direction and management of the business, is an inherent drawback to profit sharing. Attempts have been made in many countries to give the employees a certain measure of representation in the board of management: This is known as co-partnership. It is wider in scope than profit sharing. It includes both profit sharing and a share in the management and may also lead, to a share of the workers and the capital.

The term co-partnership has come to be applied to schemes, which are mainly capitalistic in character which, include a system of profit sharing and control in the management. However, in order to acquire control of business, it is necessary either to acquire share capital, and thus, gain the ordinary rights and responsibilities of a shareholder, or to form a Co-partnership Committee of Workers, having a voice in the internal management. But, that also depends on the extent of education among the workers, their Intelligence and the trust imposed in them by the employers. Such committees cannot be formed and cannot be successful unless there is a strong trade union movement and workers, have their own leaders. Emphasis on the increased association of labour with management has been, placed in the Five Year Plans in order to secure greater productivity, better understanding and industrial peace. The scheme of labour participation in management is now being tried in many undertakings.

Profit Sharing in India

The industrial Resolution was passed in 1947, which pointed out, that labour should be given a reasonable share in the 'surplus profits'. An expert committee was appointed, known as the Profit Sharing Committee, which submitted its report in September, 1948.

Profit Sharing Committee of 1948

The main findings of the committee are as follows: -

The Committee pointed out that profits of the industry depend on many factors besides labour, and to that extent, do not bear any measurable relation to what labour does or does not do. Conditions of production vary from industry to industry and from undertaking to undertaking within each industry. Morever, the productivity of labour is dependent on other things, on the nature of the equipment and the efficiency of the organisation and supervision. The committee, concluded that labour's share of the surplus profits can only be determined in an arbitrary way. Once, determined, distribution of that share among individual workers should be in proportion to their total earnings in any given previous period. Such method would link, in some measure individual effort to individual reward.

The committee pointed out that all discussions on profit sharing, must be viewed form three important angles, i.e., profit sharing as an incentive to production, profit sharing as a method of securing industrial peace, and profit-sharing as a step in the participation of labour in management. On the first point, the view was that by distributing the share of labour among individuals, in proportion production would be provided. Their main reason for recommending an experiment in profit sharing was that it would promote industrial peace.

Dealing with the question of fair return on capital the Committee defined capital employed as paid-up capital, plus reserves (including all future allocations of services), which are held for the purpose of the business. Reserves will exclude depreciation and will include only those reserves built out of profits on which taxes have been paid. In their view, depreciation should be the first charge on gross profits and reserve the first charge on net profits. i.e., gross profits minus depreciation managing agency and taxation. The Committee on this question of fair return on capital concluded that a fair return on capital employed in the established industries, to which the profit sharing scheme was recommended, should be that minimum return which would encourage further investment. The Committee thought that six per cent on paid up capital, plus all reserves held for the purpose of the business would be a fair rate under existing circumstances.

In regard to labour's share in surplus profits, the Committee concluded that this should be 50% of the surplus profits of the undertaking. The individual worker's share should be in proportion to his total earnings during the preceding 12 months, minus dearness allowance and any other bonus received by him. If, however, the individual worker's share exceeded 25% of his basic wages, cash payments should be limited to 25% of his basic wages, and the excess held on his account either in his provident fund or otherwise.

In the opinion of the Committee, to begin with, profit sharing industry-cum-locality basis should be tried out in the textile industry in Bombay, Ahmedabad and Sholapur, and its extension of the textile industries in other localities may be considered later on by the Government. In these cases, the surplus profits of the units will be pooled for the purpose of ascertaining what should be the profit sharing bonus payable to labour in the industry in that locality. This bonus shall be payable, as a minimum by every unit to its labour, irrespective of its profits, but in those units where half the surplus profits. (i.e., the amounts due to labour in that unit) exceeds the sum required to pay the minimum bonus, such excess shall also be paid to the workers of that unit. The net effect will be that the labour employed in every unit of the locality will get a minimum share calculated on the basis of the total of half the surplus profit of all units in the locality, which make surplus profits. It is only by this procedure that the fundamental objective of profit sharing i.e., the worker should have a direct interest in the fortune of the concern in which he works, may be attained.

The policy of unit wise distribution of profits inevitably means no share of profits for labour in units which do not make profits. It will, thus, involve differences in remuneration to labour in different units. The efficient worker, who has the misfortune to be employed in an undertaking which makes no profit, will have to remain content only with his basic wages. While an inefficient worker, employed in a profit earning concern, will be earning profits. This difficulty might be avoided, if profit sharing could be established on an industry-cum-locality basis but employers have been fundamentally opposed to such pooling of profits which will mean subsidising of inefficient concerns by the more efficient units in the industry. It is, in view of the employers' opposition to profit sharing on an industry -basis that the Committee recommended unit-wise profit sharing except in certain cases.

Critical Estimate of Profit Sharing Schemes

The Report of the Committee on Profit sharing was not unanimous. Both workers and employers also raised objections on different lines and on different reasons. The Central Advisory Council also could not arrive at any agreement. The matter came up again and again at the meetings of the Joint Consultative Board in August and September, 1951 and also in June, 1952. The Planning Commission in the First Five Year Plan, also pointed out that the question of profit sharing and bonuses needed expert study and the payment of bonuses in cash should be restricted and the balance should go towards the workers' savings. In the Second Five Year Plan also it was pointed out that the question of profit sharing and bonuses needed expert study and the payment of bonuses in cash should be restricted and the balance should go towards the workers' savings. It was also observed that the principles relating to the settlement of bonus and profit sharing require further study before an arrangement acceptable to all the parties could be evolved. In the Third and Fourth Five Year Plans, there was no mention of profit sharing scheme. The National Commission on labour had made no recommendation in this regard except making a reference to the Committee on Profit Sharing.

Thus, the question of evolving a statutory scheme of profit sharing has been under the consideration of the Government for more than two decades now. The employers, as it might be expected, have vehemently opposed the scheme. It is said that labour might gain more substantially form the old tried method of production bonus than with this new experiment with profit sharing, which is 50 very confusing and may not benefit either labour capital.

The experiments in the other countries in profit sharing have not been very encouraging and have created more suspicion between employers and the workers. The country is suffering from acute industrial unrest and there is a great need for bringing about peace in industry. This can be done only if labour is made an equal partner with the entrepreneur- capitalist. Therefore, the experiment is worth trying because, as a result of trial and error, some practical formula of profit sharing and ensuring of labour co-partnership to the good of national prosperity may result. We must win over labour to increase production and there is no surer way of doing it than to make the workers a partner in the profits of the industry.

BONUS

The word 'bonus' has no clear-cut single meaning. There are several definitions of this word. The Corpus Juris Secundum defines it as follows:

"An allowance in addition to what is usual, current or stipulated: a sum given or paid beyond what is legally required to be paid to the recipient:

something given in addition to what is ordinarily received by or strictly due to the recipient".

It carries the idea of something uncertain and indefinite something which may or may not be paid depending on varying circumstances. This imparts the conception of a boon, a gift or a gratuity otherwise described as an ex-gratia payment. In India, bonus was first of all paid after the First World War to workers of the textile industry in Bombay and Ahmedabad as an ex-gratia payment. In the bonus dispute which arose between the Rastry Mill Mazdoor Sangh and Mill Owners' Association, Bombay following the discontinuation of bonus payment from 1923, the Industrial Court observed "The Mill Owners' Association's contention that bonus is an ex-gratia payment is true from the standpoint of civil law which can only enforce the terms of a contract between parties".

The word bonus is also sometimes used to denote an incentive payment to all workers aimed at enhancing their efficiency and loyalty to their organisation. Madras High Court observed, "Bonuses may in one sense be regarded as recognition of the workers to share in some measure in the profits of the company and encourage workmen to work harder in the knowledge that will secure more gain to themselves". But, many employees and the Bonus Commission (which was appointed by the Government in Dee. 1961) do not agree that bonus is an incentive to greater productivity. Bonus is usually paid to all workmen at the same rate irrespective of their individual efficiency long after the close of the financial year. This can hardly act as an incentive to greater effort.

With the introduction of the statutory minimum bonus the view that bonus is a deferred wage at the minimum level and profit sharing above this level seems to have been accepted by us. To eliminate this defect it was suggested the merger of minimum bonus amount with wages.

Payment of Bonus Act

Every employee drawing a salary or wage not exceeding Rs. 2,500 p.m. and employed in any industrial establishment covered under the Act is entitled to pay to an employee whose salary or wage is Rs. 1,600 p.m. and is to be calculated as if his salary or wage is Rs. 1,600 p.m. only.

Under Section 10 of the Payment of Bonus (Amendment) Act. 1980 every employer is bound to pay to every employee a minimum bonus of 8.33 per cent of the salary or wage earned by the employee during the accounting year or one hundred rupees whichever is higher, whether or not the employer has any allocable surplus in the accounting year. Where the employee has not completed fifteen years age at the beginning of the accounting year, the minimum bonus is 8.33 per cent of the salary or sixty rupees whichever is higher.

Section 11 of the Act limits the maximum bonus to 20% of the wages. It says that if in any accounting year the allocable surplus exceeds the amount of minimum bonus payable to the employer shall pay a higher bonus subject to a maximum of 20% of salary of wage.

Section 13 of the Act provides that where an employee has not worked for all working days in an accounting year the minimum bonus of one hundred rupees or, as the case may be, of sixty rupees, if such bonus is higher than 8.33 per cent of his wages for the days he has worked In that accounting year, shall be proportionately reduced.

The 'allocable surplus' is that portion of profits which is to be set apart for the payment of bonus. The Act stipulates that generally 60% of the available surplus in the case of Indian establishments and 67% in the case of foreign establishments should be allocable surplus.

No minimum bonus is payable by a newly set up establishment in the circumstances mentioned in Sec.16. This section therefore serves as an exception.

The Act attempts to assure all workers of a minimum bonus even in lean years through the twin processes of "set-off'. If the allocable surplus in a year exceeds the amount of the maximum bonus stipulated by the Act, then the excess is to be carried forward to the succeeding year to be utilised for paying bonus subsequently. This process is called 'setting on" of the allocable surplus in a year or if the allocable surplus is insufficient to pay the workers even at the minimum rate in the year, the minimum bonus should nevertheless be paid to the workers and the resulting deficiency, carried forward for being "set off" from the surplus of the subsequent years.

The Act permits employees to enter into any agreement or settlement with their employer for payment of bonus linked with production or productivity in lieu of bonus profits payable under this Act. Employees can also, with the previous approval of the Government, enter into agreement with their employer for granting them an amount of bonus under any formula, which is different from that under this Act. But, any agreement or settlement which entitles the employees to receive more than 20 per cent or less than 8.33 per cent bonus would be null and void.

Section 2(13) of the Act duly amended by the payment of Bonus (2_{nd} Amendment) ordinance 1985, defines that any person drawing salary or wage not exceeding Rs.2500/- per month employed in any industrial establishment, under the coverage of set is entitled to payment of bonus. Also section 12 as amended. By the above ordinance, if an employee gets a salary or wage exceeding Rs.1600 per month, bonus is payable to him on the basis of Rs.1600/- per month only.

An employee is disqualified from receiving bonus under this act, if he is dismissed from service for fraud; or riotious or violent behaviour while on the premises of the establishment; or theft, misappropriation or sabotage of any property of the establishment.

The Payment of Bonus Act principally deals with profit bonus. Hence, customary bonus is outside the purview of this Act. The test to determine what exactly is customary or festival bonus are:

(i) that the payment has been made over an unbroken series of years;

(ii) that it has been paid even in years of loss and did not depend on the earnings or profits; and

(iii) that the payment has been made at a uniform rate throughout.

Production-Linked Wage Incentives in India

The urgency of linking wages with production cannot be over-emphasised. No real advantage in the workers' standard of living is possible unless increase in wages is made dependent on increase in production. If it is not so, any increase in wages, will be multiplied by rise in prices. One common mechanism, which links wages with production, is the piece-rate system. It is simple to understand and operate and is widely prevalent in textiles, matches, coir matting, carpet weaving and tanneries in India. According to the Second Occupational Survey conducted (1963-65) this system is followed only in 27% of our manufacturing sector.

Bonus as Profit Sharing

It is usually intended as a stimulus but may also express and desire on the part of the employer to share with the employees the fruits of their joint enterprise. Bonus conceived in the form of profit sharing may be traced to scheme introduced by the National Fire insurance Company of Paris in 1820, which later spread to other parts of Europe and the United Kingdom. The interest in such schemes was aroused by the International Congress on profit sharing, held in Paris in 1889, which defined it as "an agreement freely entered into by which the employee receives a share, fixed in advance of the profits. However, during thirties a number of the Latin American countries (for instance, Chile in 1931 and Bolivia in "1939) introduced such schemes through various statutes.

It was enunciated in a Tripartite Industries Conference held in December, 1947, that "The system of remuneration to capital should be so devised that while in the interests of the consumers and the primary producers, excessive profits should be prevented by suitable measures of taxation and otherwise, both should share the product or their common effort after making provision for payment of fair wage to labour, a fair return on capital employed in industry..."

The concept of bonus as a share of surplus profits was reiterated in 1948, when the Industrial Policy Resolution of the Government of India stated that after a fair wage had been paid to labour and provision made for reasonable reserves for maintenance and expansion and for a fair return on capital employed in industry there reminded some excess profits and a share of such excess should be paid to labour as additional remuneration. This share of labour, it was contended, "should bear a definite relation to production or in other words, it should be on a sliding scale varying with production".

The concept of bonus is, in the true sense, multi-dimensional and forward oriented. The first dimension is represented by bonus accrual for mitigating or abolishing the present gap between the low level of wages and fair and living wages. This comprises the moral and sociological dimensions.

The second dimension is economic and embodied in task performance. The obvious relation between determinate and computed tasks or special services and accrual of bonus is but an extension and amplification of the widely accepted piece rate system in modern technological conditions.

Finally, the third dimension of bonus rests on the recognition of industrial socialism or copartnership in industry as the economic goal. This requires implementation through scheme of voluntary or compulsory profit sharing of which bonus payment is an integral part.

In view of the fact that profits are the result of joint contributions made by both capital and, labour and neither partner can seek to enjoy them to the exclusion of the other, bonus is regarded as compulsory profit sharing, or better still 'available surplus' (after meeting the prior or necessary charges), sharing of which workers may claim as a certain moral and economic right. The Committee on profit-sharing set up by the Government of India in May, 1948, concluded that (a) both labour and capital should share equally (50 percent each) out of such surplus profits of an undertaking; (b) the individual worker's share of profit should be in proportional to his total earnings during the preceding 12 months, minus dearness allowance and other bonuses received by him.

Both production and dividend have, in fact, been the criteria to determine share of workers' profit. While the U.P. Labour Enquiry Committee recommended two days basic wage for every 1 per cent dividend declared on ordinary share capital paid up, the Industrial Tribunal in West Bengal prescribed the following formula for the cotton textile mills.

$$\text{Bonus} = \frac{(W + A)\text{Dividend}}{100} \times \frac{DW}{Da}$$

(W : Wages; A: Dearness Allowance; DW: No.of days worked, holiday authorised and leave on full pay; Da : No. of actual working days in the year).

But, the former formula has not been accepted in all His Lordship Shri Desai, with reference to his award for the bank employees. In my view, the linking of bonus to dividend, though attractive at first sight by reason of simplicity of application of formula, is opposed to the concept of bonus so far evolved and may not satisfy the claims of labour based on social justice.

Bonus now being regarded as an obligatory payment is as such claimed as a matter of right by workers to make good, at least to some extent, the gap which is always found to exist between the wages being actually paid by the employer and a living wage. Though in 1955 the Supreme Court of India held that we must not be unmindful of the impact of an unduly high bonus on the community as a whole. In a major sense, the payment of bonus depends on the capacity to pay. The contribution of labour in production is also a relevant factor. Linking of bonus to the dividend would create difficulties. The ratio, which applies in the case of shareholders who acquire the right, title and interests of their predecessors' interest, does not apply to the labour force.

Secondly, apart from bridging over the gap between actual wage level and living wage, bonus is regarded as an additional payment with a view to promote or bring about industrial peace. The Labour Appellate Tribunal in its award on the dispute in the textile industry at Bombay in 1950 observed: “Bonus cannot any longer be regarded as an ex-gratia payment, for it has been recognised that a claim for bonus if resisted, gives rise to an industrial dispute which has to be settled by a duly constituted Industrial Court or Tribunal”.

The Labour Appellate Tribunal adopted a formula in 1950 confirming the Profit Sharing Committee's approach. According to this formula often known as Full Bench Formula, is laid down in the case of Millowners' Association, Bombay vs. Rashtriya Mill Mazdoor Sangh, Bombay divisible profit had to be ascertained after providing from gross profits for (1) depreciation, (2) rehabilitation (3) return at 6 per cent on the paid-up capital, (4) return on the working capital at a lesser rate, but reasonable rate, and (5) for an estimated amount in respect of payment of income-tax. The formula was followed all over the country, though plea for its revision in regard to provision for rehabilitation as a prior charge was put forward. The formula was, however, upheld by the Supreme Court. While contending in the case filed by the Associated Cement Companies in 1959, that the available surplus formula has generally worked well and should not be changed, the Supreme Court enumerated following factors to be taken into account on deciding the quantum of bonus: (i) the extent of available surplus, (ii) the gap, (iii) the extent of welfare work undertaken by the employer, (iv) contribution of labour to the profits of the concern, (v) the needs of shareholders and the necessity of attracting capital to industry, (vi) the needs of the industry itself for expansion, etc., (vii) the financial stability of the employer, and (viii) rebate on income-tax allowed to the employer. In view of trade unions opposition to the provision of rehabilitation as a prior charge as well as provision of depreciation on the basis of income-tax rates, the Court, however, held further that, "If the legislature feels that the claim for social and economic justice made by labour should be redefined on a clearer basis, it can step in and legislate in that behalf. It may also be possible to have the question comprehensively considered by a high powered commission which may be asked to examine the pros and cons of the problem in its aspects by taking evidence from all industries and bodies of workmen".

While referring to the suggestion for merger of bonus into the wage structure and its ultimate abolition, the Commission contended that "it would neither be feasible nor desirable to require industries to incorporate existing schemes of varying bonus payments into the wage structure permanently with a view to eliminate bonus, for while profits are variable, wage rates are fixed on the industry-cum region basis and not on the basis of the particular units ability to pay. It suits the workers' pattern of consumption or spending. The Commission further opined that the computation and payment of bonus should be unit-wise in accordance with the formula recommended by it. While endorsing the LAT's principle that bonus must have some relation to wages, the Commission categorically stated that bonus should be subject to a reasonable maximum. The Commission recommended payment of certain amount of minimum bonus.

The Bonus Commission's formula rested on the procedure recommended by it for calculating the available surplus and the workers' share in it. The Commission suggested the exclusion of the (extraneous profits and losses) following items from the profit computed for the purpose: (a) profit or loss from the sale of immovable property of fixed assets of a capital nature comprised in the undertaking, unless the business of the company consists of buying and selling such property or assets, (b) income, profits and losses from business outside India, (c) income of an non-Indian concern from investments outside India, (d) refund of income-tax paid for previous years written back to the profit and loss account, and (e) donations in excess of the amount admissible under the Income-tax Act. The Commission considered the following as prior charges: normal amount of depreciation admissible under the Income-tax Act (b) Income-tax and Super-tax (c) return at the actual rate payable on the preference share capital and at 1% on paid-up capital (d) return on reserve and surplus at 4 per cent. The balance left after deduction of above prior charges from gross profits will be the available surplus.

The Commission recommended that 60 per cent of the available surplus should be paid as bonus subject to a minimum and maximum, coupled with an arrangement for set-off and set-on. If the available surplus (or even where the surplus is negative) is less than the amount required for distribution :4 per cent of the annual basic wage and dearness allowance or Rs. 40 per worker, whichever is higher, a minimum bonus will be a charge on the industry. For employees who have worked for lesser period than a year, the amount payable would be pro rata. In the case of children, the minimum equivalent shall be 4 per cent of the total basic wage and dearness allowance. Where there is no available surplus, or the amount of the available surplus allocable as bonus is a sum less than 4 per cent of the annual earnings, then the whole of the quantum of 4 per cent of the amount necessary to make up 4% as the case may be should be carried forward and set-off in the succeeding years up to a maximum period of next four years.

The commission recommended that in the bonus formula to employees drawing a total basic pay and dearness allowance up to Rs.1,600 p.m. with the proviso that the quantum of bonus payable to employees drawing total basic pay and dearness allowance over Rs.750 shall be limited to what it would be if their pay and dearness allowance were only Rs.750 per month. As regards supervisory staff and officers drawing over Rs.1600, it would be open to the company or concern if it considered necessary, to pay them bonus out of balance (40%) of the available surplus left to it under the formula.

The Commission recommended the application of its formula to those public undertakings which are not departmentally run and which compete with establishments in the private sector. Further, it suggested that the formula should not apply to new concerns until they have recoupted all early losses including all arrears of normal depreciation admissible under the Income-tax Act, subject to time limit of six years. It also feels that its recommendations should not apply to the employees of the general insurance companies. It was also suggested that formula should not be applied to small units employing less than 20 persons except which are factories under the Factories Act. Again, the Commission's formula would not apply wherein particular undertakings, the employers, and the unions have adopted or in future, opt for the annual bonus linked with production or productivity. The Government of India announced on September 2, 1964, their acceptance of the Commission's recommendations, subject to the following modifications:

(i) All direct taxes will be deducted as a prior charge in calculating the available surplus;

(ii) The tax concession given to industry to provide reserves for development will be accepted as a prior charge. They should not be utilised for payment of larger bonus to employees;

(iii) The rate of return on capital to be allowed as prior charge should be 8.5 per cent taxable on paid-up equity capital (7.5% in case of banks) 6% on reserves (5% in case of banks);

(iv) Beyond a certain limit, bonus should be paid in the form of securities or investment instead of cash;

(v) The recommendations should apply with retrospective effect to all pending bonus disputes in respect of the accounting year ending in 1962, but in all other cases it will be related to the accounting year 1963.

Payment of Bonus Act

An Ordinance was promulgated in May 1965, for regulating payment of bonus. It was subsequently replaced by the Payment of Bonus Act in September 1965. Being enacted initially to provide for payment of bonus to persons employed in certain establishments on the basis of profits or on the basis of production or productivity and for matters connected therewith, the Act that tends to the whole of India is now applicable to every factory as defined under the Factories Act, 1948 to every other establishment in which 20 or more persons are employed on any day during an accounting year and in relation to a banking company and the Industrial Reconstruction Corporation of India.

Types of Incentive Plans

There are two main classes of incentive plans: (i) Monetary or financial Incentives, and (ii) Non-monetary or non-financial incentives. The application of monetary incentives can be put under two heads: (a) Schemes which are purely related to effort and make additional remuneration, varying in proportion with production, varying proportionally less than production, varying proportionally more than production, and varying in different proportions at different levels of output and (b) schemes of a more general nature which take a broader view of the skill, abilities and human traits, but which nevertheless may vary from time to time according to assessment of effort and other factories. These financial incentive schemes, direct and indirect, may be of application to the individual as well as group of individual as well as group incentive arrangements have their place, though generally it is conceded that the pulling power of an incentive plan is the greatest when only one individual is in the plan. While the individual incentive or bonus system is, (a) to give employer the advantage of diminishing labour cost as production increases (b) to provide an incentive to employer to improve his organisation and methods, and (c) to protect employer against high rate fixing in those cases where measurement of work is difficult, the group incentive system is employed where (a) individual output cannot be measured, (b) output is dependent on the work of a group, or a plant, (c) individuals are of equal skill, (d) it is desired to overcome jealously among workers due to different earnings on account of individual piece rates, (e) it is desired to introduce a spirit of unity and collective purpose, and (f) it is considered to provide an incentive beyond ordinary time rates to indirect workers.

Apart from financial incentives, there are non-monetary incentives meant for encouraging loyalty, reducing labour-turnover, promoting better health and reducing absenteeism, attracting labour and being able to choose the best workers and building up a happy and contended staff. Non- financial incentives like security of employment, job satisfaction, job status and happy environment have also a place an increasing productivity.

Coming back to financial incentives, they may be studied under the following heads, based on fundamental elements of any incentive wage plan (that is, units of output standard time, time worked and time-saved):

Piece Rates

(a) Straight Piece Work:

(b) Taylor Differential Piece-rate System:

(c) Merrick Differential Piece-rate System:

(d) Group Piece System

Time Bonuses

(a) Bonus based on time saved
    (i) The Haisey Premium Plan
    (ii) The Beadaux System

(b) Bonus based on time worked
    (i) The Rowan System
    (ii) The Emerson Empiric or Efficiency System

(c) Bonus based on standard time
    (i) The Barth Variable Sharing System
    (ii) The Grant Bonus Plan

Incentive Systems for Indirect Workers

The incentive plans for indirect workers such as maintenance workers, inspectors, supervisors, packers, etc., may be classed according to their characteristics as follows:

(a) Appeals to Inherent Motives other than the Desire for Money:

The incentive plans manifest a recognition of good work through provision of special considerations such as promotion, certificates of recognition, prizes and publicity. Most of the appeals to inherent motives have their roots in primary motives, such as self-preservation, taste, price, etc.

(b) Grading and Salary Adjustment Plans:

They consist primarily of systematically evaluating the results of a supervisors or other indirect worker's work and revising salaries in accordance with the result of this grading of his character, personality and leadership, etc. The salary adjustment is universally accepted as a powerful incentive.

(c) Financial Incentives:

They may be based on direct as well as indirect measurement, when the measurement of results is necessarily indirect and is a composite of the results of the efforts of all supervisors and executives, schemes of indirect financial incentives are introduced. Profit sharing and annual bonus systems fall under this category.

Financial incentives based on direct measurement consist of premiums and bonuses computed and paid from results of operation in comparison with systematically or scientifically established standards. The results of operation usually include those factors and features of operation over which the supervisors as individuals or a group have an opportunity to exercise control. The factors used as a basis for operating direct measurement are: (i) efficiency of productive workers (ii) quality of output, (iii) utilization of equipment and machinery, (iv) amount of production, elimination of waste materials,(vi)non-productive or indirect labour costs, (vii) general cost of operation, (viii) development of short-cut methods, (ix) safety and accidents; (x) cost of supplies used and; (xi) operations on piece-work.

Although the only practicable and self-sustaining means of improving man power utilisation is to introduce incentive schemes and stimulate human exertion to provide a positive motivation to greater productivity, these schemes cannot be introduced to cover all occupations in all industries. Their application has generally to be selective and limited to industries and occupations in which it is possible to measure on an agreed basis the output of workers or groups of workers concerned and in which it is possible to maintain a free degree of concerned over the quality of production. Endorsing the above view of its Study Groups, the National Commission on Labour opined that "a careful selection of occupations should be made with the assistance of work study teams, the personnel of which commands the confidence of both sides".

Concluding, all-out efforts should be made by the management to win the confidence of workers and persuade them to develop a scientific outlook on wage incentive problems. It is necessary to have good industrial relations before formulating a wage incentive plan and during the period the plan is in operation. In an atmosphere charged with mutual suspicion, a plan can neither be formulated nor be executed successfully. Wage incentives by themselves cannot ensure peaceful working conditions; but they can be nurtured only in an atmosphere free from acrimony and mutual suspicion between labour and management. After the scheme is installed, it is necessary, for, the management and labour to get together and develop a sense of joint participation in an enterprise, beneficial to both.

In regard to payment of bonus the hard reality is that its payment not linked with either profits or productivity normally contains substantial dose of inflationary potential, since it releases suddenly, unaccompanied by the matching increase on the wage goods production front, the money purchasing power in the hands of the working class people who could spend a very substantial portion of it immediately during the festival season. This situation is detrimental to the interests of workers themselves in the long run. Under an integrated approach to bonus and productivity after taking into account wage, price and income together is. The formula for linking bonus to productivity need be evolved through negotiatione with workers' unions under certain defined conditions and norms. It may also be pointed out that the system of group payment of bonus should be used in these cases where individual contributions could not be measured. The system must distinguish between efficient and inefficient performance.

Model Questions

1. Explain the main features of profit sharing. What are its limitations?
2. Give a critical estimate of the profit sharing scheme in India.
3. Elucidate the concept of bonus.
4. Explain the main provisions of the payment of Bonus Act.
5. Discuss the implementation of the various types of incentive plans.

UNIT - 9

MANPOWER PLANNING

Definitions and Concepts

Manpower planning is the process by which a management determines how an organisation should move from its current manpower position to its desired manpower position. Through planning a management strives to have the right number and the right kinds of people at the right place at the right time to do the things which result in both the organisation and the individual receiving the maximum long range benefit. Sainer defines manpower planning as "strategy for acquisition, utilisation, improvement, and preservation of an enterprise's human resources. It relates to establishing job specifications or the quantitative requirements of jobs determining the number of personnel required and developing sources of manpower;"

Coleman has defined human resource or manpower planning as "the process of determining manpower requirements and the means for meeting those requirements in order to carry out the integrated plan of the organisation."

"Manpower planning" and "Human resources planning" are synonymous. In the past, the phrase manpower planning was widely used; but now the emphasis is on human resources planning which is more broad based. Human resource or manpower planning is "the process by which a management determines how an organisation should move from its current man power position to its desired manpower position. Through planning, a management strives to have the right number and the right number of right kinds of people at the right places, at the right time to do things which results in both the organisation and the individual receiving the maximum long-range benefit."

Human resource planning is a double-edged weapon. If used properly, it leads to the maximum utilisation of human resources, reduces excessive labour turnover and high absenteeism, improves productivity and aids in achieving the objectives of an organisation.

Faultly used, it leads to disruption in the flow of work, lower production, less job satisfaction, high cost of production and constant headaches for the management personnel. Therefore, the success of an enterprise's human resource planning is a very important function, which can be neglected only at its own peril. It is as necessary as planning for production, or marketing capital investment.

Job analysis is another important step in the determination of manpower requirement from the standpoint of quality. It is the procedure by which the facts with respect to each job are systematically discovered and noted. It is defined as "a method of scientifically dissecting a job in order to determine the component element and their influence upon the length of learning period of the worker production and labour turnover." It is viewed as the search for habits necessarily used by a workman on the job. It is sometimes called job study, suggesting the care with which tasks, processes, responsibilities and personnel requirements are investigated. It consists of four fundamental elements, viz., (i) product analysis to decide what components are to be made and how many of each are required to produce one unit of finished product, (ii) what type and quantity of materials would be absorbed in the manufacture of each part; (iii) what number of parts make up each sub assembly; and (iv) what rate the other materials incidentally required for sub-assemblies.

Determination of Manpower Requirements

The first operative function of labour or personnel management is to procure personnel to man the organisation. The manner in which this continuous process of staffing or manning the organisation is done exerts a significant influence on its functioning as well as the satisfaction of material and non-material needs of workers and their families. Apart from physical division, it is the efficient functioning of the human division that measures industrial success. Further, the physical and mental health integrity of the working people are vitally essential for the well-being and progress of any nation. Social status and prestige are also associated with occupation and position in the working organisation. Staffing the organisation is, therefore, of universal importance.

Qualitative Determination of Manpower Requirements:

The first part of the problem is concerned with process of determining the quality of personnel required. This process entails job design as well as job analysis.

As a job is a collection of tasks, duties and responsibilities, which as a whole, is regarded as, the established assignment to individual employees- job design refers to creation to unit of job to be manned. The basic guide in the, establishment of jobs is the nature of organisation. By analysing objectives of the enterprise, various jobs are spelled in order of their importance. As we know, it is the functional type of organisation, which leads to specialization and ease staffing the work unit. It is because of mechanisation and changing technology that the resulting job may undergo modifications from time to time. The policies of the trade unions are also vitally involved in job design. Despite advances in technology, alteration of final assembly; (ii) Machine Analysis – to provide information as to the quantity of material to be processed on each machine per day, week or month, as also the maximum plant capacity per day for each process or operation; (iii) Operation Analysis -to determine manufacturing processes or operations to be used; machines, tools equipment required for the purpose and the sequence of operation to be followed in the context of the most economical lot sizes for production; and (iv) Methods Analysis -to standardise production methods for uniformity of output and improvement of product and reduction of cost.

From the above it will be clear that job analysis is a systematic account of what the employee is expected to do, i.e., an analysis of what is done within the job, how it is to be done and an explanation of the quality of work that will be considered satisfactory. It is a statement of skill, dexterity, initiative or any other quality in the workers which is necessary to such satisfactory performance.

In view of statement of mental and physical requirements, as well as of nature of responsibility, involved in the job assignment, job analysis is not only of importance in regard to procurement of personnel but also for the purpose of effecting transfers and promotions, executing training programmes, administering wage and salary policies, setting grievances, improving working conditicns and labour productivity through work simplification.

Apart from the employees doing the job, other employee including supervisors who know it as well as independent observes who watch employees doing the job at the plant level are the sources of collecting various sorts of information for the purpose of job analysis. Data collected from one employee will have to be checked by the job analyst through the process of consultation with others holding the same job. In case some discrepancies are found they will have to be resolved with the help of the supervisors concerned. The studies in this respect have also shown that the job analyst will have to view himself as an expert in studying and reporting jobs rather than as an expert in the job itself. Again, the job analyst must be able to read the perceptible reactions of the person being interviewed for collection of job information, as he uses certain words, makes various statements and asks specific questions.

Quantitative Determination of Manpower Requirement.

The quantitative determination of labour force involves (i) Work load analysis, and (ii) Work force analysis.

The workload analysis is to integrate manpower scheduling with sales, purchasing and production forecasts and schedules. Such analysis in the first instance starts with the sales forecasting which has to be translated into a work programme for various parts of the enterprise. For production, this is differently titled as "production programme". The personnel needs of an enterprise vary in accordance with the changing production level. What is required here is to determine the workload in some tangible units. The kind of unit to be used depends on the purpose of the measurement and the end to be achieved. The unit decided upon must, however, be of required standard and should be comparable. The unit of work needs to be translated into man-hours required for the purpose of measurement of manpower requirements. It is the systematic time and motion study of operations that translates workload into man-hour requirements in the most realistic manner.

Work force analysis must follow workload analysis in order to determine exactly how many workers can be reasonably expected to report to work dally, since absented labour turnover tend to reduce the number of workmen available to a figure less than the number on the payroll. Stated in other terms, workforce analysis enables one to know what additions should be there to the figure arrived at as a result of work load analysis in order to meet actual labour requirements. In reality, it is not only improbable, but also unnatural to conceive of the situation free from absenteeism and labour-turnover. It is the right type of analysis of these two aspects of human force that constitute work force analysis which, in turn supplement work load analysis to determine actual manpower requirements of an enterprise.

Manpower Planning Steps

This need to anticipate and provide for future manpower requirements and has led to the importance of manpower planning as a vital function in the area of staffing or the personnel function. In case of large organisations with their personnel departments, naturally this function is performed by such departments, being a staff function. However, systematic manpower planning has not yet become popular even in the U.S.A. and the U.K., except in case of a few huge companies in large scale industries such as petroleum and chemicals. Manpower planning is obviously concerned with the optimum use of human resources and can be benefited at national levels as well as at company level.

Manpower planning involves the following steps

1. The first step is to determine the period of forecasting requirements of manpower in the figure (i.e. .at the end of the first year, second year, third year, fourth year, fifth year, etc.)

2. From the number available at commencement of the period, the next step is to doubt the expected wastage through death, resignations, retirements and discharges.

3. In case of shortages, the next step would be to consider how such shortages are to be met through fresh recruitment and, or promotion from within and whether any training or developmental facilities would be required for this purpose.

4. When surpluses are anticipated, the next step would involve deciding how these surpluses will be dealt with, like through early retirements, discharges, lay-off, etc.

In this way, manpower planning seeks to ensure that the required personnel possessing the necessary skills are available at the right time.

Need for Manpower Planning

Manpower planning is deemed necessary for all organisations for one or the other of the following reasons:

1. To carry on work, each organisation needs personnel with the necessary qualifications, skills, knowledge, work, experience and aptitude for work. These are provided through effective manpower planning.

2. Since a large number of persons have to be replaced who have grown old, or who retire, die or become incapacitated because of physical or mental aliments there is a constant need for replacing such personnel. Otherwise, the work would suffer.

3. Manpower planning is essential because of frequent labour turnover which is unavoidable and even beneficial because it arises from factors which are socially and economically sound, such as voluntary quits, discharges, marriage, promotions; or factors such as seasonal and cyclical fluctuations in business which cause a constant ebb and flow in the work force in many organisations.

4. In order to meet the needs of expansion programmes (which become necessary to increase in the demand and supply of goods and services by a growing population) human resource planning.

5. To meet the challenge of a new and changing technology and new techniques of production, existing employees need to be trained or new blood injected in an organisation.

6. Manpower planning is also needed in order to identify areas of surplus personnel or areas in which there is a shortage of personnel. If there is a

surplus, it can be redeployed; and if there is shortage, it may be made good.

The objectives of manpower planning is to maintain and improve the organisation's ability to achieve its goal by developing strategies that will result in optimum contribution of human resources.

Requirement of Manpower Planning

Manpower planning consists in projecting future manpower requirements and developing manpower plans for the implementations of the projections.

The planning cannot be rigid or static; it is amenable to modification, review and adjustments in accordance with the needs of an organisation or the changing circumstances.

According to Wickfrom, manpower planning consists of a series of activities.

1. Forecasting future manpower requirements, either in terms of mathematical projections or drends in the economic environment and development in industry, or terms of judge mental estimates based upon the specific future plans of a company.

2. Making an inventory of present manpower resources and assessing the extent to which these resources are employed optimally;

3. Anticipating manpower problems by projecting present resources to the future and comparing them with the forecast of requirements to determine their adequacy, both quantitative and qualitative and

4. Planning the necessary programmes of requirement, selection, training, development, utilisation, transfer, promotion, motivation and compensation to ensure that future manpower requirements are properly met,

Manpower Supply and Institutional Planning

Basically the sources of recruitment can be divided into two kinds, namely

1. From inside the organisation, and
2. From outside sources

For example, Larsen & Turbo Ltd., looks for people from an possible sources. i.e., internally from within the organisation and externally from the employment exchange the policy is to recruit through advertisement as it gives the widest possible publicity to the company's requirements.

It may be noted that for purposes of manpower planning the main dimensions to be taken into consideration;

1. The total number of personnel available, this could be obtained from the payrolls and other personnel records, such as the applications for employment. The total number has to be classified on some basis.

2. The job-family (i.e.,) a detailed job description for each position such as stenographers who may belong to various departments i.e., finance, marketing, personnel, public relations, general administration, etc.

3. Age distribution of the employees available in the present departments.

4. Qualification and experience desired, such as person with 5 years, 10 years experience in a particular branch/job; or with specialised knowledge in the field of marketing, finance, computer programming or engineering work.

The best policy followed by most institutions is to fill up higher vacancies by promotion and lower level position by recruitment from the labour market. The labour market is a geographical area from which employees recruit their force and labour seeks employment. Hence, the forces of demand and supply interact.

Objectives of Manpower Planning

The objectives of manpower planning are mainly

1. To ensure optimum use of human resources currently employed;
2. To assess or forecast future skill requirements if the organisation's overall objectives are to be achieved;
3. To provide control measures in order to ensure that necessary resources are available as and when required;
4. To determine recruitment level;
5. To anticipate redundancies and avoid unnecessary dismissals;
6. To determine optimum training level;
7. To provide a basis for management development programmes; and
8. To assess future accommodation requirements.

Before embarking on the manpower planning exercise it is essential to define the system in which the organisation works, The system can be either 'closed or open-end". A closed system one which contains within its boundaries ail the actions, variables, information and relationship necessary for the achievement of its goals, Such system has a high degree or predictability of its behaviour, This makes planning easiest in the closed system, An open-end system, on the other hand, is far more uncertain and unpredictable, causation is speculative, vital relationships are a matter or mere guess, and appropriate coercive actions are often unknown.

The objective of manpower planning is to maintain and improve the organisation's ability to achieve its goal by developing strategies that will result in optimum contribution of human resources for this purpose.

Manpower planning is the responsibility of both the line and staff manager. The line manager is responsible for estimating manpower requirement. For this purpose, he provides the necessary information on the basis of the estimates of the operating levels.

The staff manager provides the supplementary information in the form of records and estimates. The staff manager is expected to,

1. report about manpower utilisation in the present and in the past.
2. provide help and advice managers on the assessment of manpower utilisation and to develop sources of information and techniques for purposes of comparison.
3. administer the procedure of forecasting or objective setting.
4. present the overall forecasts of departmental managers, and
5. to advice line managers on forecasting techniques.

Manpower Planning and Economic Development

Manpower planning is practically useful at different levels as follows

1. At the national level, it is generally done by the government and covers items like population, projections, and programme of economic development, educational facilities, occupational distribution, and growth, industrial and geographical mobility of personnel.

2. At the sector level, it may be done by the Government -Central or State - and may cover manpower need of agricultural, Industrial and service sector.

3. At the industry it may cover manpower forecast for specific industries such as engineering: heavy industries, consumer goods industries, public utility industries, etc.

4. At the level of the individual unit, it may relate to its manpower needs for various departments and for various types of personnels.

Manpower planning is the sum total of inherent abilities, acquired knowledge and skills represented by the talents and aptitudes of the employed person.

Of all the "Ms" in management i.e. management of materials, machines, methods, motive power, the most important is "M" for men or human resources. It is the most valuable asset of an organisation, and not the money or physical equipment.

Human resource is an important economic resource whether organised or unorganised, whether employed or capable of employment. Workers at all levels, blue and white collar workers, skilled or unskilled persons who are engaged in creating, designing, managing and operating productive and other service enterprises or in any other economic activity. Human resources are put to maximum exploitation in order to achieve individual or organisational goals. An organisation's better performance and increased productivity directly relate to the quantity and quality of its manpower.

There is however, no difference of opinion relating to the view that the national wealth of India can be better produced and distributed when trained personnel processing, improved knowledge and skills entering the labour market are fully absorbed into productive employment. It is also well known that there has been till now on adequate nexus between educational planning and manpower planning in India. From the point of view of manpower policy there is pressing need to dovetail education and training with labour market requirements.

It is only through such a process that the investment in education and the training of manpower could be utilised in a productive manner. This may be regarded as one of the most important guidelines to manpower planning in future. It has, thus been pointed out that "from the standpoint of development planning it is important to identify the stage at which the manpower planning is integrated with economic planning on the one side and educational planning on the other".

One of the assumptions usually made in a developing country like India with its abundance of labour is that there is a large amount of trained manpower available for any specific skill requirements. This is by and large a misconception that specific skills, and in many cases, professionals are hard to come by as technology becomes more complex and the demand for skilled manpower increases.

This misconception regarding the easy availability of specific skills is a dangerous one as it is likely to be misleading when planning for technological changes, expansion or diversification is undertaken.

Anticipating Manpower needs

All planning requires looking into the future so that adequate provision can be made in terms of needs. Manpower planning is no exception. Continuity of successful operations of the enterprise must be ensured. The management must, therefore, ensure that the company has adequate managers in terms of future company growth. Large companies indulge in careful forecasting of the requirements of administrative personnel as they are conscious of the need to develop personnel for future key positions. The replacement of key personnel may be done from outside but this should be effected only if internal supply is inadequate.

The following methods are generally used to determine the requirements of administrative personnel namely.

1. Annual estimates of vacancies.
2. Long-range estimates of vacancies.
3. Fixed minimum man specification requirements; and
4. Specific position estimations.

Annually, the top management team and the directors must examine their organisation structure and its adequacy for the assigned functions as well as its adaptability for changes anticipated in the near future. This analysis of audit includes a review of current vacancies and probable future changes in the organisation's personnel.

Adequate forecasts of organisational changes will indicate not only the number of executive positions, which will require to be filled, but also the duties and responsibilities for each such position. This will help ascertain the type of training and development required for such future positions. Ascertaining such job requirements assist the selection of persons who should participate in the right development programme.

The manpower planning helps in both the selection and the developmental activities as it ensures that adequate persons are selected well in advance so that they may be developed for anticipated positions opening. This would ensure a smooth growth of the organisation.

Desirable Managerial Skills

Collier looks upon a manager as one who can view the enterprise in its total complexity, the ultimate values in his opinion being the ability to integrate viewpoints, the capacity to adapt to change and the ability to go beyond the normal value structure such as personal responsibility. Organisational skills, desire for objectives and people centered in this approach.

Another view of looking at the managerial abilities required is to view them from the differing emphasis by various schools of management thought. The management science group considers managers as decision makers who must be able to use mathematical models and computers to arrive at optimum decision. The behavioural scientist emphasizes the leadership and motivation ability of the manager and stresses personal and interpersonal behaviour. The skills required of successful executives can briefly by divided into the following four types, namely.

1. Decision making skills.
2. Communication skills.
3. Leadership skills, and
4. Organisational and social skills.

1. Decision Making Skills

An executive is required to take decisions. The value and effectiveness of his decisions depend on his mental and analytical ability to consider the various alternative courses of action available in a problem situation to weight the possible outcomes of such alternative and select the optimum one.

Decisiveness is more important than a scientific approach which may induce indecisiveness through the over emphasis given to a questioning attitude.

2. Communication Skills

The decisions made by the executive has to be communicated to his subordinates. Communication can be oral or written. Thus the ability to communicate effectively can improve the managerial and leadership skills of the individual.

3. Leadership Skills

Leadership involves getting things done through others and motivating them to do what the leader wants them to do and above all it needs persuasiveness and vitality to provide direction and leadership even in-times of difficulties.

4. Organisational and Social skills

Good executives view management problem from an organisational perspective. They must be able to appreciate the effect on behaviour of authority, status and informal group norms.

Every executive must have certain basic skills. These can be summarised briefly follows, namely the ability, :

1. to understand the changing conditions and trends which affect the work of the unit and the services it should render.
2. to plan operations, delegate duties to subordinates, and coordinate their work on a day, to as well as long-range basis.
3. to direct the work of their immediate subordinates, i.e., the ability to understand their work thoroughly and guide them.
4. to stimulate, motive and lead their sub-ordinates so as to secure their interested and willing participation towards achieving/ the common goals of the unit and the enterprise.
5. to select appropriate personnel for specific assignments.
6. to develop these subordinates.
7. to interview subordinates, obtain information from them and get them to express their interests and attitudes.
8. to keep their subordinates and superiors informed regarding the work of the unit, and
9. to supervise, follow up, and appraise the performance of their subordinates.

Another way of briefly classifying skills is technical, human and conceptual as follows, namely.

1. Technical skills to accomplish the mechanics of the particular job.
2. Human skill build them as a leader, and
3. Conceptual skill to recognise the inner relationship involved in his situation to enable him to achieve maximum good for the total organisation.

Distinction between Manpower Planning and Organisational Planning

There is very close connection between organisational planning and manpower planning. But, it is always useful to keep them conceptually distinct, though the distinction is a stable one. Manpower planning is specifically concerned not with the structural positions, but with the people who will be occupying those positions. On the other hand, organisational planning refers to analysing the present organisation and making plans for the design of the future organisation to achieve the objectives of the enterprise.

Manpower Planning and Career Planning

A career is one of the most fundamental transactions between the individual and the organisation. Unlike the work contracts, which are explicit, career contracts are typically implicit and vague and certainly changing over time.

The value of career planning depends on the ways in which it is able to serve an organisation and its constitutions. The fundamental rationale of career planning is that it helps to pinpoint the role of an employee, bringing out alternatives where none seemed to exist before equip a person to plan his career or plan it better than he did before. In this way, it promotes a better commitment to career performance and superior utilisation of personnel talent.

Manpower Planning and Budgeting

There is always a need linking the manpower planning with the budgeting system of a concern. It is necessary because manpower forms a part of cost. Manpower planning has to be integrated with the budgeting process in an undertaking. A good organisation would require budgets not only with regard to the quantity of items to be produced, materials to be secured, and finances to be arranged, but also with regard to the manpower to be employed in each operations. It is desirable that every man is asked to submit annually his proposed budget for the manpower he requires to carry through the tasks assigned to him.

Limitations of Manpower Planning

A number of limitations to manpower planning have been identified by a number of companies. Long range forecasts are difficult and the plans are likely to be inaccurate. They are vulnerable to changes in economic conditions and market conditions as well as changes in technology and management methods. Because of these and other limitations, no company seems to have forged effective link between long-term manpower forecasts and short-term manpower plan.

In addition to limitations in the state of the art, some problem experienced by companies in performing manpower planning are of their own making. Frustrated manpower planners frequently complain of the lack of top management support for their activity and partially as a result, a lack of confidence among managers in their manpower plans and forecasts. The gap between manpower forecasts and the use of such data by management is sometimes attributable to the over zealousness of staff in-designing and introducing elaborate manpower planning techniques.

One of the more frequent miscalcuations in manpower planning occurs when the corporate staff simply aggregates forecasts submitted by the operating divisions without subjecting them to critical scrutiny.

Perhaps, one of the most common problems in manpower planning arises when it is regarded as a technical problem rather than as a problem in effecting organisational changes. Human resources and not capital, not income, not. material resources constitute the ultimate basis for the wealth of nations maintains H. Harbison in his Report based on project of the Inter–university study of human resources in national development.

The importance of human skills and knowledge and the investment in human capital have become widely recognised as, a necessary pre-requisite to non-human capital investment. A nation's economic development may be limited by a relative shortage of this critical factor or may be accelerated significantly by a high capacity to accumulate it, correspondingly an organisation's ability to attain its objectives and develop them in planned ways are dependent upon its human resources.

Model Questions

1. What is manpower planning? What are the steps involved in it?

2. How will you determine the requirement of manpower?

3. What is Manpower Planning? Explain its role in economic Development?

4. Write short notes on:
   a) Human Resource Development.
   b) Manpower Planning in India.

UNIT - 10

HUMAN RESOURCES PLANNING

The emphasis today is on human resources planning which is a broader concept than manpower planning. "Human resources planning" is a process by which a management determines how an organisation should move from its current manpower position to its desired manpower position. Through planning a management strives to have the right number and the right kinds of people at the right places at the right time, to do things which result in both the organisation and the individual receiving maximum long range benefit.

1. Coleman has defined human resource planning as "the process of determining manpower requirements and the means for meeting those requirements in order to carry out the integrated plan of the organisation".

2. Stainer defines Human resource planning as "Strategy for the acquisition utilisation, improvement, and preservation of an enterprise's human resources. It relates to establishing job specifications or the quantitative requirement of jobs determining the number of personnel required and developing sources of manpower".

3. According to Wickstorm human resources planning consist of a series of activities, viz.,

    a. Forecasting future manpower requirements, either in terms of mathematical projections of trends in the economic environment and development in industry, or in terms of judgemental estimates based upon the specific future plans of a company;

    b. Making an Inventory of present manpower resources and assessing the extent to which these resources are employed optimally;

    c. Anticipating manpower problems by projecting present resources into the future and comparing them with the forecast of requirements to determine their adequacy, both quantitatively and qualitatively; and

    d. Planning the necessary programmes of recruitment,. selection, training, development, utilisation, transfer, promotion, motivation and compensation to ensure that future manpower requirements are properly met.

Process of Human Resource Planning

The process of human resource planning is one of the most crucial, complex and continuing managerial functions.

The process has gained importance in India with the increase in the size of business enterprises, complex production technology, and the adoption of professional management techniques. It may be rightly regarded as a multi-step process, including various issues, such as;

a. Deciding goals or objectives,

b. Estimating future organisational structure and manpower requirements,

c. Auditing human resources,

d. Planning job requirements and job descriptions, and

e. Developing a human resource plan.

The future plans of the organisation in terms of expansion and diversification and the structural decision like departmentalisation and delegation affect the number of positions, type of positions and the type of people who are required to perform the various jobs.

Factors like general economic conditions, state of the particular industry, choice of technology, changes in products and service have effect on the need for manpower.

Keeping in mind the above factors, business plans are prepared and manpower requirements are estimated job wise/department wise.

The expected losses due to labour turn over, the changes in the human quality due to experience and training are to be considered when estimating manpower requirement.

Both shortages and excess which are revealed through manpower planning are adjusted through recruitment, training, promotion, transfer etc.

Both under-estimation and over-estimation have to be avoided.

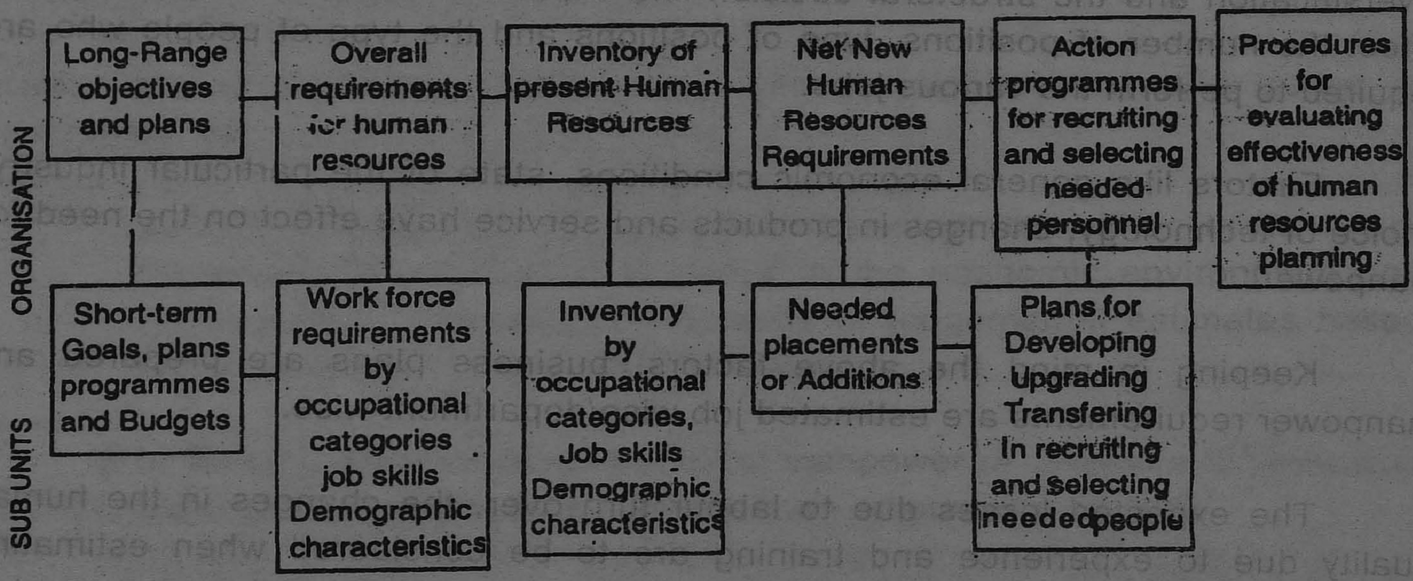
Auditing of human resources involves taking stock of current manpower skills available in the organisation. This is done from information maintained in personal files, performance appraisal report etc., which are maintained in the Data Bank.

Then, there is a need to develop job descriptions in broad terms which help in preparing job specifications. Job specification indicates the minimum human requirements in terms of experience, education, training attributes, etc., which are required to perform a job satisfactorily

Finally, developing a human resource plan involves decisions regarding choice of internal vs external sources of recruitment, promotion policy, etc. So that the extent of internal (whether based on eniority; merit or a combination of both) and external components are decided for going ahead with recruitment, selection, training, induction, etc.

Since different sources of meeting the human resource requirement involve different time spans (lead-time) i.e., time interval between placing an indent for manpower requirement and actually getting the people ready for the job. The components of the human resource plan have to be carefully developed keeping in mind the time aspect.

HUMAN RESOURCES PLANNING SYSTEM DIAGRAM


ORGANISATION
SUB UNITS
Long-Range objectives and plans
Overall requirements for human resources
Inventory of present Human Resources
Net New Human Resources Requirements
Action programmes for recruiting and selecting needed personnel
Procedures for evaluating effectiveness of human resources planning
Short-term Goals, plans programmes and Budgets
Work force requirements by occupational categories job skills Demographic characteristics
Inventory by occupational categories, Job skills Demographic characteristics
Needed placements or Additions
Plans for Developing Upgrading Transfering In recruiting and selecting needed people

Estimating Future Organisational Structure (Forecasting Human Resource Requirements)

The management must estimate the structure of the organisation at a given point in time. For this estimate, the number and type of employees needed have to be determined. Many environmental factors affect this determination. They include business forecasts, expansion and growth, design and structural changes, management philosophy, government polic1, product and human skills mix, and competition.

How to Compute Human Resource Forecasting?

To compute human resource planning for a particular period, we should know {i) demand of different skills in that forecast period and {ii) how to supply those skills.

Demand: Broadly speaking, four main approaches to medium and long term manpower forecasting can be distinguished at the level of the unit.

The first of these relies on the informal opinion of managers within the company. The second is based on the idea of projecting past trends in employment by statistical techniques like extrapolation, regression and correlation, etc. In the third, the results of work study/job description, etc., exercises form the basis for forecasts; and lastly and in many circumstances the most difficult to apply, predictions are based on measure of productivity. Although in practice these approaches are treated as alternatives, we should use all these to supplement each other whenever we have sufficient data to do so.

For our units, to begin with, we can:

1. estimate the manpower implications of one or mbre alternative assumptions about rate of company growth etc. {expansion rate C.P.D. has assumed 4% per year);

2. monitor, at regular intervals (half yearly done by C.P.D), the effects of change in order to be in a position to revise forecasts without delay where this becomes necessary.

In tabular form it will be as follows:

	1992, 1993, 1994, 1995, 1996 (1992-96) Total
1. No. required at the beginning of year {present + vacant positions)	

2. Additional requirement due to expansion
at the rate of % per year.

3. Total requirement at the end of the year
(Item No.1+ Item No.2)

Supply: We should make an analysis for forecasting for replacements of losses through stage. Broadly speaking, the wastage elements are :

a) Normal Retirement:

Normal retirement is a natural wastage which depends on the company policy. 60 years for normal retirement. This can be estimated for the forecast period through the personnel records and through an analysis of the age distribution of employees. If the company encourages employees to stay on after reaching retirement age, some estimate will be necessary of the numbers doing so, or it may be preferred to regard this as an extra margin of error in case other types of wastage prove higher than anticipated.

b) Actual Wastage:

Actual wastage can be defined as losses or staff due to death, illness or disability.

c) Discharges:

Some units may wish to take into account the loss of personnel as a result of discharge or dismissals.

d) "Voluntary" Wastage:

The units will have to consider another constituent of the wastage rate, that is loss of personnel through "voluntary wastage" or resignations.

Transfer and Promotions:

An allowance which must be allowed when arriving at an overall estimate of wastage, will be the extent to which particular occupational and hierarchy group is lost to other occupations as a result of lateral transfer or to higher hierarchy group as a result of promotion.

In tabular form, it will be as follows :

1992, 1993, 1994, 1995, 1996, (1992-96) Total

1. Not available at beginning of the year.

2. Losses through wastage:

   a. Actual retirement at the age of 60 years,

   b. Early retirement (% per year)

   c. Discharge (% per year)

   d. Voluntary resignations (% per year)

3. Total available at the end of the year (Item No.1 minus Item No.2)

Reconciling Supply and Demand Forecasts

The stages already discussed in demand and supply columns are intended to provide the, management, the extent and nature of shortages or surpluses of manpower given certain business objectives. The following table provides a simplified hypothetical picture of the way in which size of the manpower gap can be calculated and a recruitment and control schedule for the succeeding five years derived.

COMPANY X

SPINNING DEPARTMENT (DEPT. ASSTS)

	1992	1993	1994	1995	1996	Total 1992-96
Number available at beginning of the year (1stJanuary)	100	108	112	116	120	-
2. Losses through wastage						
a) Actual retirement at 60 years	2	3	7	1	3	16
b) Early retirement (%)	1	1	1	1	1	5
c) Discharge (1 %)	1	1	1	1	1	5
d) Voluntary resignation (5%)	5	5	5	5	5	25
e) Promotions & Transfers	5	5	5	5	5	25
3. Total (Item No.1 minus Item No.2)	86	93	93	103	105	-
4. Vacant Position	4	-	-	-	-	4
5. Expansion (4% per annum)	4	4	4	4	4	20
6. Total Required (Item No.1 + Item No.4 + Item No.5)	108	112	116	120	124	-
Additional number required during the year Item No.6-Item (No.3)	22	19	23	17	19	100

Requirement & Supply Profile :

Year	Total Requirement	Supply Plan	
		Internal	External
1992	22	19	3
1993	19	13	6
1994	23	18	5
1995	17	14	3
1996	19	14	5
	100	78	22

Auditing Human Resources

Once the future resources needs are estimated, the next step is to determine the present supply of manpower resources. This is done through what is called "Skills Inventory-". A skills inventory contains data about each employee's skills, abilities, work preferences and other items of information, which indicate his overall value to the company.

Skills Inventory Proforms Personal Factors

Name
Age
Sex
Dependents
Marital status

Birth Place
Occupation of parents
Parent's address
Permanent address
Telephone number (if any)

Education and Training

School attended with years
Degrees/Diplomas obtained
Training achieved

Experience and Skills

Job areas
Job titles
Job date

Special skills (such as ability to speak and write foreign languages)
Reasons for leaving supervisory responsibilities

Additional Information

Salary
Grade
Absenteeism record
Disciplinary record
Career plans

Test results
Performance ratings
Location of relatives
Appraisal data
Any other information

Job Analysis

After having decided how many persons would be needed, it is necessary to prepare job, analysis, which records details of training, skills, qualification, abilities, experience and responsibilities. etc which are needed for a job. Job analysis includes the preparation of job descriptions and job satisfications.

Developing Human Resource Plan

This step refers to the development and implementation of the human resource plan, which consists in finding out the sources of labour supply with a view to making an effective use of these sources. The first thing, therefore, is to decide on the policy about the personnel be hired from within through promotional channels or it be obtained from an outside source. The best policy which is followed by most organisations is to fill up higher vacancies by promotion and lower level positions by recruitment from the labour market.

In practice it has been found that short-term (under 2 years} and medium-plan (2 to 5 years) are easier to formulate with greater degree of uncertainty.

Three Ranges of Manpower Forecasting

	Short Range (0.2 years)	Intermediate range (2 to 5 years)	Long-range (beyond 5 years)
Demand for	Authorised expansion, technological changes; new legislation; employee turnover, layoffs, and contractual restrictions	Operating needs from budgets or plans for expansion or contraction or adjustments	Geographical capacity, size of the organisation and systems; product lines; services offered; load anticipated changes in environment and technology essentially judgemental.Labour saving equipment efficiencies, productivity, etc.
Supply of Labour; Internal	Departmental, divisional roasters; promotions, managerial and expected losses; quits, death.	Merger of acquisition plans; managerial and supervisory development programmes.	Management expectations of changing characteristics of employees and future available manpower,
Supply of labour; External	Area employment levels; Number of employees needed.	Labour market projection plans, general institutional plans to hire.	Management expectations of future conditions affecting immediate decisions.

OBJECTIVES OF HUMAN RESOURCE PLANNING

Human resource planning fulfills individual, organisational and national goals; but according to Sikular "the ultimate mission or purpose is to relate future human resources to future enterprise needs so as to maximise the future return on investment in human resources".

In effect, "the main purpose is one of matching or fitting employee abilities to enterprise requirements with an emphasis on future instead of present arrangements".

The labour market is a geographical area from which employers recruit their work force and labour seeks employment. Here, the forces of demand and supply interact. A labour market generally has the following characteristics :

a. It is highly unstructured and unorganised, for a majority of workers are illiterate and ignorant and do not have any information about available job opportunities.

b. The procedure by which companies recruit workers and the methods by which workers go about getting jobs are highly variable.

c. A great range of wage rates for the same occupation exists in the labour market, depending upon the attitude of the managements towards wage levels, the employer's ability to pay and the productivity of labour.

d. Labour is mostly not mobile either because it had incomplete or inaccurate knowledge of job opportunities and available wages because of lack of job security.

e. The supply of labour fluctuates and is influenced by the population in the labour market, the attractiveness of a job (benefits, services, wage rates, the reputation of a company), the extent of unemployment, and the particular skills that are in demand.

f. Manual labour for unskilled jobs has been replaced by activities that require skill, scientific knowledge, technical knowledge and professional training.

RESPONSIBILITY FOR HUMAN RESOURCE PLANNING

Human resource planning is the responsibility of the personnel department. In this task, it is aided by the industrial engineering department, the top management and the term of directors of different departments. It is mostly a staffing or personnel functions.

The responsibilities of the personnel department in regard to manpower planning have been stated by Giesler in the following words.

i. To assist, counsel and pressurise the operating management to plan and establish objectives;

ii. To collect and summarise data in total organisational terms and to ensure consistency with long-range objectives and other elements of the total business-plan;

iii. To monitor and measure performance against the plan and keep the top management informed about it; and

iv. To provide the research necessary for effective manpower and organisational planning.

Human Resource Plan Component

The human resource plan can be broken down into three components; (i) Forecasting – estimating future needs and stock taking of available resources in the organisation; (ii) Recruitment plan to meet the gap between the internal resource and estimated need by external recruitment (ii) Training and Development plan to utilise fully the human resources of the organisation and to develop the potential resources.

The Human Resource planning has two objectives, either for a short term or a long term.

The short term objective involves rising few persons from the depressed classes for training. The long term objective is to start a new industry to expand the market or to create a new market and to develop its own labour force without depending on distributors.

Forecasting Human Resource Requirements

A structure of the organisation at any given point of time should be estimated by management. For this the quantum and nature of employees have to be determined. Many environmental factors such as business forecast, expansion and growth design, structural changes, management philosophy, government policy, product and human skills mix and competition have to be taken in to consideration.

Forecasting, provides the basic premises on which the human resource planning is built. Forecasting is necessary for various reasons, such as;

1. The eventualities and contingencies of general economic, business cycles.

2. Changes in management philosophies and leadership styles.

3. The use of mechanical technology (such as introduction as automatic controls, mechanisation of materials handling functions) necessitates changes in the skill of workers as well as a change in the number of employees needed.

4. Very often, changes in the quantity or quality of product or services require change in the organisational structure. Plans have to be made for this purpose as well.

After estimating what the future organisation structure should be, the next step is to draw up the requirements of human resources, both for the existing departments and for the few vacancies. For this purpose, a forecast of labour force is needed and requisitions should be obtained from different departments.

In determining the requirement of human resources, the expected losses which are likely to occur through labour turnover, quits, retirement, death, transfers, promotions, demotions, dismissals disability resignations, lay-offs, and other separations should be taken into account.

Changes in the human quality resulting from the experience gained in the jobs during the period and the training achieved also need to be considered. The addition of new lines of production and new projects also influence the demand estimates of human resources.

After making adjustments for wastage, anticipated and expected losses and separations, the real shortage or surplus may be found out. If a shortage is there, efforts are made to meet it either by new recruitment or promotion from within, or by developing the existing staff. If there is a surplus, it is to be decided how it will be dealt with i.e. whether there should be transfers, layoff, retrenchment or reduction in the hours of work of all. Under estimation of the quality and number of the employees required would lead to shortfalls in performance, while over estimation would result in avoidable costs to the organisation.

Once the future human resource needs are estimated, the next step is to determine the present supply of human resources. This is done through what is called "Skills Inventory".

A Skills Inventory contains data about cash employee's skills, abilities, work preferences and other items of information which indicate his overall value of the company.

Factors in Human Resource Development

Various external factors influence the outflow and inflow of human resources. At the local factors are:

1. Population density at various distance from the factory or work place.
2. Local unemployment level, particularly of the categories which are relevant for the operation of the organisation.
3. Availability of the part time labour.
4. Current competition for similar categories of human resource from other organisations.
5. Output from the educational system (general as well as technical).
6. Pattern of in-migration and out-migration within the area and between it and other areas.
7. Transport facilities and communication pattern.

All the corporate level, other factories operate ,viz.,

1. trends in the growth of the working population.
2. Government training schemes and systems of technical, vocational professional and general
3. Impact of social security measures on human resource supply.
4. Mobility of the products of the technical, professional and vocational institutions.
5. Cultural factors and customs, social norms, affecting school leaving age labour force participation of women, children and young persons.

The personnel manager should have a thorough knowledge of labour market.

Techniques of Job Analysis Data

The determination of job tasks, the .concomitant skills and abilities necessary for successful performance, and the responsibilities inherent in the job can be obtained through such methods or approaches as the following:

1. Personal observation;
2. Sending out questionnaires;
3. Maintenance of log records; and
4. Conducting personal interviews.

1. Personal Observation

The materials and equipments used, the working conditions and probable hazards, and an understanding of what the work involves are the facts which should be known by an analyst. Direct observation is specially useful in jobs that consist primarily of observable physicalability, like the jobs of draftman, machine, spinner and weaves.

2. Sending out Questionnaires

Properly drafted questionnaires are sent out to job-holders for completion and are returned to supervisors. However, the information received is often unorganised and incoherent. This idea of issuing questionnaires is to elicit the necessary information from job holders to that any error may first be discussed with the employee and, after due corrections, may be submitted to the job analyst.

3. Maintenance of Log Records

The employee maintains a daily diary record of duties he performs, making the time at which each task is started and finished. But, this system is incomplete, for it does not give us any desirable data on supervisor relationship, the equipment used and working conditions. Moreover, it is time consuming.

4. Personnel Interviews

It may be held by the analyst with the employees, and answers relevant to questions maybe recorded. But, the method is time consuming and costly.

Forecast Human Resource Requirements

If is only to be stated here that a "requisition" or an "indent" for recruitment has to be submitted by the line official such Indents" usually specify,

1. The jobs or operations or position for which the persons should be available.

2. Duration of their employment.

3. Salary to be offered and any other conditions and terms of employment which the indenting officer feels necessary.

The indents are then checked against the posts allotted to the department/branch and also against authorisation for expansion. Financial implication of the proposed appointment and additional expenditure are worked out of course these would be within the budgetary sanctions of the department concerned. If the indents are found correct the proposed recruitment are authorised and the initial pay, the scale and other admissible allowances are determined.

Finally, job-specifications and man specifications are determined in consultation with the line managers.

RECRUITMENT

Recruitment forms the first stage in the process which continues with selection and ceases with the placement of the candidate. It is the next step in the procurement function, the first being the human resource planning. Recruiting makes it possible to acquire the number and types of people necessary to ensure the continued operation of the organisation. Recruiting is the discovering of potential applicants for actual or anticipated organisational vacancies.

Recruitment is Distinct from Employment and Selection

Technically speaking the function of recruitment proceeds the selection function and it includes only finding, developing the sources of prospective employees and attracting them to apply for jobs in an organisation, whereas, the selection is the process of finding out the most suitable candidate to the job out of the candidates attracted (i.e., recruited).

Definition

Recruiting refers to those set of activities an organisation uses to attract job candidates possessing the appropriate characteristics to help the organisation reach its objectives.

Recruitment Process

There are 4 sub-systems in the recruitment process.

a. Finding out and developing the sources where the required number and kind of employees are / will be available.

b. Developing suitable techniques to attract the desirable candidates.

c. Employing the techniques to attract candidates, and

d. Stimulating as many candidates as possible and making them to apply for jobs irrespective of number of candidates required.

Management has to attract more candidates in order to increase selection ratio (i.e., number of applications per one job vacancy) in order to select the most i.e., suitable candidates out of the total candidates available due to lower yield ratio.

Complexity of the Function of Recruitment

The first activity of recruitment is searching for prospective employees is affected by many factors like (i) organisational policy; (ii) local candidate (sons of soil); (iii) influence of trade unions; (iv) Government regulations regarding reservations of certain number of vacancies to candidates based on community/caste/sex; and (v) influence or recommendations, nepotism, etc.

The other activity of recruitment is affected by the internal factors such as (i) working conditions (ii) promotional opportunities; (iii) salary levels, type and extent of benefits; (iv) other personnel policies and practices; (v) image of the organisation; and (vi) ability and skill of the management to stimulate and candidates. It is also affected by external factors like (i) personnel policies and practices; (ii) career opportunities in other organisations; and (iii) Government regulations.

Recruitment Policy

Recruitment policy of any organisation is derived from the personnel policy of the same organisation. Such a policy asserts the objectives of the recruitment and provides a framework of implementation of the recruitment programme in the form of procedures.

A good recruitment policy must contain these elements :

a. Organisation's objectives: both in the short-term and long term,

b. Identification of the recruitment needs,

c. Preferred sources of recruitment.

d. Criteria of selection and preference, and

e. Cost of recruitment and financial implications of the same.

Factors Involved in Recruitment Policy

1. To carefully observe the letter and spirit of the relevant public policy on hiring and on the whole, employment relationship;

2. To provide individual employees with the maximum of employment security, avoiding frequent lay-off or lost-time;

3. To provide each employee with an open road and encouragement in the continuing development of his talents and skills;

4. To assure each employee of the organisation interest in his personal goals and employment objectives;

5. To assure employees of fairness in all employment relationships including promotions and transfers;

6. To avoid cliques which may develop when several member of the same household or community are employed in the organisation;

7. To provide employment in jobs which are engineered for meeting the qualifications of handicapped workers and minority sections; and

8. To encourage one or more strong, effective, responsible rade unions among the employees.

Centralised Vs Decentraised Recruitment

Recruitment practices vary from one organisation to another. Some organisations like commercial banks resort to centralised recruitment, while some organisations like the Indian Railways resort to decentraised recruitment practices (for group III and group IV positions). Personnel departments at the central office performs all the functions of recruitment in case of centralized recruitment and personnel departments at unit-level/zonal level perform all the functions of recruitment concerning the jobs of the respective unit of zone.

Sources of Human Resource (Recruitment)

After determining manpower requirements and setting up programs to acquire various types of personnel, the next step in the recruiting and. selection process in identifying and evaluating various sources of manpower. The type of source can be a crucial factor in selecting personnel for certain types of jobs. Sometimes the personnel manager has to shop around through various sources to get the best individuals. These sources whether an agency or individual, play an important role in bringing together the individual who is looking for an individual to fill a job in his organisation. There are a number of sources of manpower available. These sources are classified into two broad groups, namely, internal and external.

FACTORS AFFECTING RECRUITMENT

The extent of recruitment activity differs from organisation to organisation depending on the following factors:

i. the size of the organisation,

ii. the employment conditions in the community where the organisations are located,

iii. the effects of past recruitment efforts which show the organisations ability to locate and keep good performing people,

iv. working conditions salary and benefit packages offered by the organisation,

iv. the rate of growth of the organisation,

v. the level of seasonality of operations and future expansion and production programmed, and

vi. cultural, economic and legal factors, etc.

Constraints

The freedom of the employer to 'choose the best' is however constrained or restricted by certain factors.

i. the image of the organisation,

ii. the nature of the job-bearing hazardous or lacking in promotion opportunities, etc.,

iii. promotion policy-a policy of promoting from within acts as an attraction,

iv. Union requirements and finally,

v. Government influence.

Internal Sources of Recruitment

Internal sources are the most obvious sources. These include personnel already on the pay roll of an organisation i.e., its present working present force. Whenever any vacancy occurs, somebody from within the organisation is upgraded, transferred, promoted, or sometimes demoted.

Merits

1. It improves the morale of the employees.

2. The employer is in a better position to evaluate those presently emplcyed than outside candidates. This is because the company maintains a record of the progress, experience and service of its employees.

3. It ensures stability from continuity of employment.

4. It encourages other employees in the lower ranks to look forward to rising to higher levels.

5. It promotes loyalty among the employees, for it gives them a sense of job security and opportunities for advancement.

6. They are trained people and can, therefore, be relied upon.

7. It is less costly than going outside to recruit.

8. The variable contacts with the existing customers are internalised.

Demerits

1. It often leads to inbreeding and discourages new blood from entering the organisation.

2. There are possibilities that the internal sources may "dry up", and it may be difficult to find the required personnel from within an organisation.

3. Since the learner does not know more than the lecture;, on innovations worth the name can be made. Therefore, on jobs which require original thinking (such as advertising, style, designing and basic research), this practice is not followed.

4. As promotion is based on seniority, the danger is that really capable hands may not be chosen. The likes and dislikes of the management may also play an important role in the selection of personnel.

External Source of Recruitment

The sources lie outside the organisation. They usually include:

1. New entrants of the labour force, i.e., young, mostly experienced potential employees –the college students.

2. The unemployed with a wide range of skills and abilities.

3. Retired experienced persons such as mechanics, machinists, welders accountants;

4. Others not in the labour force, such as married women and persons from majority groups.

However, it is not possible to be dogmatic as to which is better. i.e., selecting from within or from outside the company. The practice of promoting from within originates from the laudable desire of management to be fair and to encourage people within the company. It is a fact that knowledge of the existence of constant opportunities afforded by promotions from within the company can save as great morale builder, it can constitute a self generating source of candidates not only for the top management positions but also for all management levels. In short, such a policy can constitute the lost powerful form of employee motivation.

Methods to Draw External sources:

Where it is decided to recruit from outside, there are many ways in which possible candidates from outside sources can be located. These sources include

1. Advertisement in financial and trade newspapers and magazines.
2. Executive placement agencies
3. Suppliers.
4. University research and teaching staff.
5. Financial institutions.
6. Professional associations.
7. Business friends; and
8. Other companies.

According to a research conducted in the U.S.A. normally business friends, executive recruiting agencies and other companies formed the main sources for producing competent top management men. In India, the good sources for securing managers are generally educational institutions, advertisement in newspapers and extensive placement agencies.

Merits

1. Fresh view point.
2. Ability to change old faith.
3. External sources provide the requisite type of personnel for an organisation, having skill, training and education upto the required standard.
4. Varied and broader experience.
5. Since persons are recruited from a large market, the best selection can be made without any distinctions of caste, sex or colour.
6. In the longrun, this source proves economical because potential employees do not need extra training for their jobs.

Demerits

However, this system suffers from what is called "brain drain", especially when experienced persons are raided or hunted by sister concerns.

Techniques of Recruitment Planning

The possible recruiting methods can be summarized into three categories, direct, indirect and third party.

Direct Methods

These include sending traveling recruiters to educational and professional institutions, employees contacts with public and manned exhibits. One of the widely used direct methods is that of sending of recruiters to colleges and technical schools. Most college recruiting is done in co-operation, with the placement office of a college. The placement office usually provides help in attracting students origins, space, and providing student resumes, for managerial, professional and sales personnel, campus recruiting is an extensive operation, persons leading for MBA or other technical diplomas are picked up in the manner.

For this purpose, carefully prepared brochures, describing the organisation and the jobs it offers, are distributed among the students before the interviewer arrives.

Indirect Method

Indirect method involves mostly advertising in newspaper, on the radio, in trade and professional journals, technical magazines and brochures.

Advertising in newspapers and or trade journals and magazines is the most frequently used method, when qualified or experienced personnel are not available from other sources. Senior posts are largely filled by the method when they cannot be filled by promotion from within.

Advertising is very useful for recruitment blue collar and hourly workers, as well as scientific, professional and technical employees. Local newspaper can be a good source of blue collar workers, clerical employees and lower level administrative employees. The search for top executive might include advertisement in a national periodical, while the advertisement of blue collar jobs is usually confined to .a daily newspaper or regional trade journals.

Third Party Methods

This includes the use of commercial or private agencies placement offices of schools, college and professional associations recruiting firms, management consulting firms, indoctrination, seminars for college teachers and friends and relatives.

Private employment agencies are widely used. They charge a small fee from the applicant. They specialise in specific occupations, general office help, salesman, technical workers, accountants, computer staff, engineers and brokers who bring employees and employers together.

State or public employment agencies also known as employment or labour exchange are the man agencies of public employment. They provide a clearing house for and job information.

Employee referrals, friends and relatives of present employees are also a good source from which employee may be drawn when the labour is very tight. large firms frequently offer their employees bonuses or prizes for any referals who are hired and stay with the company for a specific length of time. Trade Unions also provide manual and skilled workers in sufficient numbers. Under agreement, they may agree as to who is to be given preference.

Casual Labour

Most Industrial units rely to some extent on the casual labour which presents itself daily at the factory gate or employment officer.

Unsolicited Applications

For positions in which large number of candidates are not available from other sources, the companies may gain in keeping files of applications received from candidates who make direct inquiries about possible vacancies on their own or may send unsolicited applications. The information's may be indirect and filed for future use when there are openings in the jobs. Voluntary organisations such as private clubs, social organizations might also provide employees. Handicapped, widowed or married women, old persons retired hands, etc. also respond to advertisement.

Computer Data Banks

When a company desires a particular type of employees, Job specifications and requirements are fed into a computer, where they are matched against the resume data stored there in. The output is a set of resumes for individuals who met the requirements. This method is very useful in identifying the candidates but hard to all positions which call for an unusual combination of skills.

Strategies of Human Resource Planning

The objective of Human Resource Planning is to maintain and improve the organisation's ability to achieve its goal by developing strategies that will result in optimum contribution of human resources. For this purpose, Stainer recommends the following nine strategies for the human resource planners.

1. They should collect, maintain and interpret relevant information regarding human resources.

2. They should report periodically human resource objective, requirements and existing employment and allied features of human resource.

3. They should develop procedures and techniques to determine the requirements of different types of human resource over a period of time from the stand point of organisation's goals.

4. They should develop measures of human resource utilisation as component of forecasts of human resource requirements along with independent validation.

5. They should employ suitable techniques leading to effective allocation of work with a view to improving human resource utilisation.

6. They should conduct research to determine factors hampering the contribution of the individuals and the group of the organisation with a view to modifying or improving those handicaps.

7. They should develop and employ methods of economic assessment of human resources reflecting its features as income generation and cost and accordingly improving the quality decisions affecting the human resource.

8. They should develop and evaluate the procurement, promotion and retention of the effective human resources.

9. They should analyse the dynamic process of recruitment, promotion and loss to the organisation and control those processes with a view to maximising individual and group performance without involving high cost.

Human resource planning is the responsibility of both line and staff managers. The line manager is responsible for estimating human resource requirements. For this purpose, he provides the necessary information on the basis of the estimates of the operating levels.

Model Questions

1. Discuss the importance of human resource planning in the Indian Industries.
2. Explain the process of human resource planning.
3. Explain the method to compute human resource forecasting.
4. Explain about the internal and external sources of recruiting human resource.

UNIT – 11

EMPLOYEES SELECTION

Introduction

A job may be defined as a "collection of aggregation of tasks, duties and responsibilities which as a whole, is regarded as a regular assignment to individual employees". Each job has a definite title based upon standardised trade specifications within a job; two or more grades may be identified, where the work assignment may be graded according to skill, the difficulty of doing them, or quality of workmanship. Further, a job may include many positions, for a position is a job performed by, related to, a particular employee.

Thus, it may be noted that a position is "collection of tasks and responsibilities regularly assigned to one person", while a job is a "group of positions, which involve essentially the same duties responsibilities, skill and knowledge". A position consists of a particular set of duties assigned to an individual. It may be noted that while a "job is impersonal the position is personal".

Job Analysis

It is a procedure by which pertinent information is obtained about a job. i.e., it is a detailed and systematic study of information relating to the operations and responsibilities of a specific job, An authority has defined job analysis as "the process of determining, by observation and study, and reporting pertinent information relating to the nature of a specific job. It is the determination of the tasks which comprise the job and of the skills, knowledge, abilities and responsibilities required of the worker for a successful performance and which differentiate one job from all others".

After a job has been defined, it is analysed, i.e., each task is described in detail. JA is a procedure and a tool for determining the specified tasks, operations and requirements of each job. "It is the process of getting information about jobs; specially, what the worker does; how he gets it done; why he does it; skill, education and training required; relationship to other; jobs; physical demands; environmental conditions".

Job Description

It is a written record of the duties responsibilities and requirements of a particular job. It is concerned with the job itself and not with the work. it is a statement describing the job in such terms as its title, location, duties, working conditions and hazards.

Job Specification

It is a standard of personnel and designate the qualities required for an acceptable performance. It is a written record of the requirements sought in an individual worker for a given job. In other works, it refers to a summary of the personal characteristics required for a job

Job Design

It is the division of the total taken to be performed into the manageable and efficient units positions, departments and divisions, and to provide for their proper integration. The subdivision of work is both on a horizontal scale-with different tasks across the organisation being performed by different people and on the vertical scale, in which higher levels of the organisation are responsible for the supervision of more people, the coordination of sub-groups, more complex planning, etc.

Purpose and Uses of Job Analysis

A comprehensive JA programme is an essential ingredient of sound personnel management. It is the major input to forecasting future human resource requirements, job modifications, job evaluation, determination of proper compensation, and the writing of job descriptions. The information provided by JA is useful, if not essential, in almost every phase of employee relations.

1. Organisation and Manpower Planning

It is helpful in organisational planning, for it defines labour needs in concrete terms and coordinates the activities of the workforce, and clearly divides duties and responsibilities.

2. Recruitment and Selection

By indicating the specific requirements of each job (i.e., the skills and knowledge), it provides a realistic basis for the hiring, training, placement, transfer and promotion of personnel.

3. Wage and Salary Administration

By indicating the qualifications required for doing a specified job and the risks and hazards involved in its performance it helps in salary and wage administration.

4. Job Re-engineering

Job analysis provides information which enables us to change jobs in order to permit their being manner by personnel with specific characteristics and qualifications.

5. Employee Training and Management Development

Job analysis provides the necessary information to the management of training and development programme. It helps to determine the content and subject matter of in-training courses. It also helps in checking application information, interviewing, weighing test results, and in checking references.

6. Performance Appraisal

It helps in establishing clear-cut standards which may be compared with the actual contribution of each individual.

7. Health and Safety

It provides an opportunity for identifying hazardous conditioins and unhealthy environmental factors so that corrective measures may be taken to minimize and avoid the possibility of accidents.

JA produces four kinds of documentations and procedures that are crucial to personnel activities; (i) Job specification; (ii) Job descriptibns; (iii) Job evaluation and (iv) Personnel assessment, In turn, the procedures and documentation are basic inputs for diverse personnel functions.

Job Information Covered by Job Aanalysis

Job-analysis, if properly done, will cover the following information.

1. Identification of the job which will include job-titles.

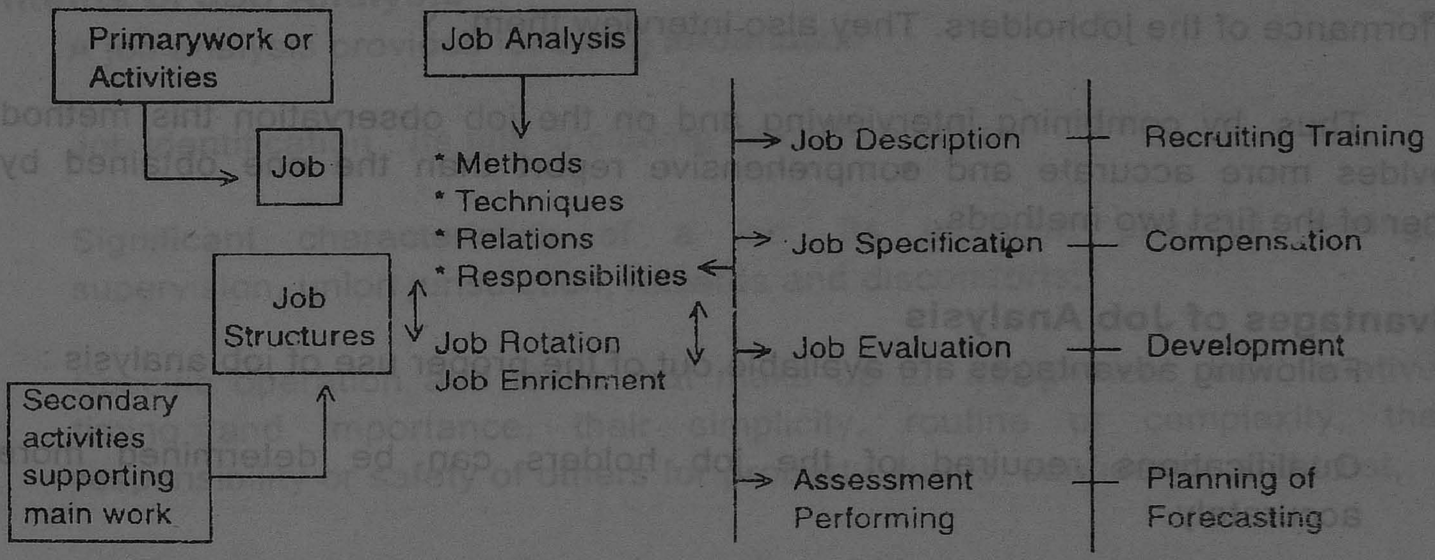
2. Characteristics which distinguish one job from another such as location of the job, its physical setting, amount of supervision required, hazards and/or discomforts involved.

3. All that the operator to whom the jobs has been assigned does. This would include the operations and tasks which constitute the assignment, timing and importance of the operations, how simple, complex or of routine nature the tasks are, responsibilities for funds, property and for others involved in the assignment.

4. Materials and equipments used by the operator-worker.

5. Nature of the operation involved in the performance of the job. Various kinds of operations such as handling, feeding, drilling, driving, removing or setting up are to be specified and distinguished.

1. Different kinds of personal abilities such as experience, sociability, mental capabilities, muscular strength, dexterity, training, apprenticeship, etc., required.


Primarywork or Activities
Job Analysis
Job
* Methods
* Techniques
* Relations
* Responsibilities
Job Structures
Job Rotation
Job Enrichment
Secondary activities supporting main work
Job Description
Job Specification
Job Evaluation
Assessment Performing
Recruiting Training
Compensation
Development
Planning of Forecasting

7. Job-relationships, which include opportunities for advancement promotion from the job and to the job, cooperation needed, directions from and for other jobs, usual sources of employees for the job concerned.

Sources of Information

More important sources from which the above-said information can be obtained are the following:

1. employees on the jobs being analysed ;
2. other employees including the supervisory personnel who know these jobs well; and
3. independent observers' team who watch closely the employees at work.

Methods of Securing Job information

The sources mentioned above are tapped mainly in the following ways:

1. Job Questionnaire:

Questionnaire is circulated to all the employees holding the jobs. They are asked to give information on various points relating to the jobs to be covered by the job analysis.

2. Interview Method:

This method is particularly used when a large number of jobholders are not able to give answers to the questions in writing. Further, it helps in getting through conversation such information, which is difficult to obtain through questionnaire method.

3. Use of Trained Job Analysis:

A team of analysis specially trained for the purpose actual observes the performance of the jobholders. They also interview them.

Thus, by combining interviewing and on the job observation this method provides more accurate and comprehensive report than the one obtained by either of the first two methods.

Advantages of Job Analysis

Following advantages are available out of the proper use of job analysis :

1. Qualifications required of the job holders can be determined more accurately.

2. It helps in scientific recruitment and selection of personnel by providing sound guidelines.

3. While taking decisions regarding transfer and promotion of present employees they can be properly evaluated.

4. Training programme can be organised on sound basis because correct requirements for such programme can be established.

5. It helps in setting wage and salary levels and maintenance of fairness in wages and salary administration is made easier.

6. It is helpful in judging the merits or otherwise of complaints regarding assignment of tasks fixation of remuneration.

7. It is helpful in establishing authority, accountability and responsibility.

8. Production standards can be established on sounder basis.

9. It provides useful suggestions, for work-simplification and improvement of work methods.

10. Many firms have reported use of job analysis in controlling costs and avoiding duplication of tasks.

Other benefits include increased job satisfaction to employees, reduced labour turn over decreased absenteeism and improved employer-employee relations.

Contents of Job Analysis

A job analysis provides following information

1. Job identification : Its title, including its code number;

2. Significant characteristics of a job: Its location, physical setting, supervision, union jurisdiction, hazards and discomforts;

3. Specific operation and tasks that make up an assignment, their relative timing and importance, their simplicity, routine or complexity, the responsibility or safety of others for property, funds, confidence and trust;

4. Which materials and equipment a worker uses ;

5. How a job is performed ; and

6. Required personnel attributes: Experience, training, apprenticeship physical strength coordination or dexterity, physical demands mental capabilities, aptitudes, and social skills.

Steps in Job Analysis

There are five basic required for doing a job analysis, viz.,

Step 1 : Collection of Background Information: According to Terry, the make-up of a job, its relation to other jobs, and its requirement for competent performance are essential information needed for a job evaluation.

Step 2 : Selection of Representative position to be analysed.

Step 3 : Collection of Job Analysis Data.

Step 4 : Developing a Job Description : This is a written statement that describes the main features of the job, as well the qualifications/activities which the job incumbents must posses.

Step 5 : Developing Job Specification: The last step is to convert the Job Description statements into job specifications, to specifically mention what personal qualities, traits, skills and background are necessary for getting the job done. :

Techniques of Job Analysis Data

The determination of job tasks, the concomitant skills and abilities necessary for successful performance, and the responsibilities inherent in the job can be obtained through such methods or as the following:

1. Personal Observation;
2. Sending out questionnaires;
3. Maintenance of log records;,and
4. Conducting personal interviews.

Carole L Shartle, Otis and Lenhert have provided the following suggestions for making the job ahalyst's task simple.

1. Introduce yourself so that the worker knows who you are and why you are there.
2. Show a sincere interest in the worker and the job that is analysed.
3. Do not try to tell the employee how to do this job.
4. Try to talk to the employees and supervisors in their own language.
5. Do not confuse the work with the workers.
6. Do a complete job study within the objectives of the programmes and
7. Verify the job information obtained.

Job Description (JD)

"Job Description" is an important document which is basically descriptive in nature and contains a statement of job analysis. It provides both organizational information (location in structure, authority. etc.) and functional information (what the work is). It defines the scope of job activities, major responsibilities, and positioning of the job in the organisation. It provides the worker, analyst, and supervisor with a clear idea of what the work must do to meet the demands of the job.

"Job description' is different from "performance assessment". The former concerns such functions as planning co-ordinating, and assigning responsibility: while the latter concerns the quality of performance itself.

Job Description describe "jobs", but not "job holders". The movement of employees due to promotion, quits, etc., would create instability to job descriptions if people rather than jobs are described.

Uses of Job Description

Job description has several uses, such as:

1. Preliminary drafts can be used as basis for productive group discussion, particularly if the process starts at the executive level.
2. It aids in the development of job specifications, which are useful in planning recruitment, in training and in hiring people with required skills.
3. It can be used to orient new employees towards basic responsibilities and duties.
4. It is a basic document used in developing performance standards.
5. It can be used for job evaluation; a wage and salary administration technique.

According to Zerga, a job description helps us in:

1. Job grading and classification;
2. Transfers and promotions;
3. Adjustments of grievances;
4. Defining and outlining promotional steps;
5. Establishing a common understanding of a job between employers and employees;
6. Investigating accidents;
7. Indicating faulty work procedures or duplication of papers;
8. Maintaining, operating and adjusting machinery;
9. Time and motion studies;

10. Defining the limits of authority;
11. Indicating case of personal merit;
12. Facilitating job placement;
13. Studies of health and fatigue;
14. Scientific guidance;
15. Determining jobs suitable for occupational therapy;
16. Providing hiring specifications; and
17. Providing performance indicators.

Components or Contents of Job Description:

1. Job identification, or organisational position which includes the job title, alternative title, department, division plant and code number of the job. The job title identifies and designates the job properly. The department, division, etc., indicate the name of the department where it is situated.

2. Job summary serves two important purposes. First it provides a short definition which is useful as an additional identification information when a job title is not adequate. Second, it serves as a summary to orient the reader towards an understanding of detailed information which follows.

3. Job duties and responsibilities give a comprehensive listing of the duties together with some indication of the frequency of occurrence or percentage of time devoted to each major duty. It is regarded as the heart of a job.

4. Relation to other jobs: This helps to locate the job in the organisation by indicating the job immediately below or above it in the job hierarchy. It also gives an idea of the vertical relationships of work flow and procedure.

5. Supervision: Under it is given the number of persons to be supervised along with their job titles, and the extent of supervision involved-general, intermediate or close supervision.

6. Machine, tools and equipment define each major type or trade name of the machines and tools and the raw materials used.

7. Working conditions usually give us information about the environment in which a job holder must work. These include cold, heat, dust, wetness, moisture, fumes, odour, oily conditions, etc., obtaining inside the organisation.

8. Hazards give us the nature of risks to life and limb, their possibilities of occurrence, etc.

Developing Job Descriptions or Guidelines for Writing a Job Descriptions

Although there is no set way of writing a job description, the following pattern is fairly typical, and used by many companies.

1. A paragraph is allocated to each major task or responsibility.

2. Paragraphs are numbered and arranged in a logical order, task sequence or importance.

3. Sentences are begun with an active verb, e.g. "types letters", "Interviews the candidates" "collects, sorts out, routes and distributes mail".

4. Accuracy and simplicity are emphasised rather than an elegant style.

5. Brevity is usually considered to be important but is largely conditioned by the type of job being analysed and the need for accuracy.

6. Examples of work performed are often quoted and are useful in making the job description explicit.

7. Job descriptions, particularly when they are used as bases for training, often incorporate details of the faults which may be encountered in operator tasks and safety check-points.

8. Statements of opinion, such as "dangerous situations are encountered" should be avoided.

9. When job descriptions are written for supervisory jobs, the main factors (such as manning, cost control, etc.) are identified and listed. Each factor is then broken down into a series of elements with a note on the supervisor's responsibility.

Limitations of Job Description

In any use of job descriptions, it should be remembered that these descriptions are not perfect reflections of the job. "The object of a job description is to differentiate it from other jobs and set its outer limits". Further, exclusives tend to carry work patterns with them into new jobs, thus modifying the job drastically.

Job Specifications

Job specifications are developed with the co-operation of the personnel department and various supervisors in the whole organisation.

These specifications relate to;

a. Physical characteristics, which include health, strength, endurance, age-range, body size, height, weight vision poise, eye, hand and foot coordination, motor co-ordination and colour discrimination.

b. Psychological characteristics or special aptitude which include such qualities as manual dexterity, mechanical aptitude, ingenuity, judgement, resourcefulness, analytical, ability, mental concentration and alertness.

c Personal characteristics or traits of temperament, such as personal appearance, good and pleasing manners, emotional stability, aggressiveness or submissivences, extroversion or introversion, leadership, co-operativenesss, initiative and drive, skill in dealing with others unusual sensory qualities of sight, smell, hearing, adaptability, conversational ability, etc.

d. Responsibilities, which include supervision of others, responsibility for production, process and equipment; responsibility for the safety of others; responsibility for generating confidence and trust; and responsibility for preventing monetary loss.

e. other features of a demographic nature, which are age, sex, education, experience and language ability.

Job specifications are mostly based on the educated guesses of supervisors and personnel managers. They give their opinion as to who do they think should be considered for a job in terms of education, intelligence, training, etc.

The statistical analysis compress five steps: 1. analysing the job and determining criteria of success; 2. selecting personnel traits which should predict successful performance; 3. testing candidates for these trainees; 4. measuring these candidates' subsequent job performance; and 5. statistically analysing the relationship between the 'human.trait' and 'job performance'.

Performance Standard

Performance standards are the yardsticks by which the actual performance is measured. While job descriptions essentially set what is to be done as a job, performance standards describe how much and how well a job is performed. Job performance induces "goal consciousness" among superiors and subordinates. It is a means for performance review based on actual accomplishment. Performance standard may be in the form of a job description expanded to include a statement of job goals for some period; or it may be separate statements supplemental to a job description. These should be written in quantitative terms, whenever possible.

The advantage of written job performance standards is that each person knows specifically what is expected of him in terms of goals and targets. But, in actual practice, some job aspects are difficult to reduce to quantitative terms. When this is so, qualitative statements must be made.

Job performance standards should be based on overall objectives and should spread from the top throughout the entire organisation. However, such standards should not be imposed upon members in an autocratic and dictatorial manner; for that would generate resistance. If subordinates participate in setting their own standards, they are likely to set them high and be committed to achieving them.

Standards must be within the capabilities of the person involved in a job; and the motivational system of an enterprise must result in a willingness of a person to attain them. Unrealistically high standards are likely to be a source of friction between supervisors and subordinates, and lead to low performance.

Programmes termed as "Zero-Defects" programmes have beer, developed especially in the armed services. Jet aircraft, aerospace, the defence industries, etc., where reliable products are needed and for this special programmes are designed to encourage the commitment if employees to high quality standards and to do it right the first time such programmes are also known as Pride and Target-Hero.

Work Rules

Work rules are essential in an organizational life. They are pre-determined decisions that a certain course of action will taken if certain contingencies arise. They are an integral part of the systems designed to facilitate all broad operational processes because they are adjuncts of job description and performance standards. They are the minimum standards of conduct or performance which apply to groups of persons. They serve the following purposes;

1. They canalise the process of an enterprise in the direction of its goals.
2. They serve as control devices, since the management uses them as standards against which to apply sanctions in order to ensure a reasonable level of conformity.
3. They ensure predictability of behaviour so that an organisation may function without undue disturbance, and its total performance is achieved.

Examples of Work Rules

- Rules pertaining to starting and stopping work;
- Rest periods;
- Insubordination
- Fighting or drinking on the job;
- Smoking in hazardous area;
- Report of injuries;
- Time-keeping.

Any violation of rules usually results in punishment or penalty.

A partial list of the offences, which may lead to disciplinary action, has been compiled by the American Management Association. These offences are :

1. Absence without leave;
2. Dishonesty, deception, fraud;
3. Drunkenness or possession of liquor on the job;

4. Deliberate damage to material or property;

5. Fighting on the job;

6. Stealing;

7. Falsification of accounts;

8. Failure to meet work standards;

9. Smoking in prohibited or hazardous areas;

10. Use of abusive, threatening, or profane language;

11. Insubordination;

12. Repeated tardiness;

13. Carrying concealed weapons;

14. Immoral conduct.

15. Sleeping on duty.

16. Erratic work schedule.

Rules are framed by the chief executive and implemented by the personnel manager. Once these rules are endorsed by the top management or are negotiated into a labour agreement, all the, managers are responsible for the enforcement.

Selection

After identifying the sources of manpower, searching for prospective employees stimulates them to apply for jobs in an organisation, the management has to perform the function of selecting the right employees at the right time. The obvious guiding policy in selection is the intention to choose the best qualified and suitable candidate for each unfilled spot and to avoid commitments in, those who will not work well. The objective of the selection procedure is the system of functions and devices adopted in given company to ascertain whether candidate's specifications are matched with job specifications and requirements or not.

Essentials of selection procedure.

The selection process can be successful if the following preliminaries are satisfied.

1. Some one should have authority to select. This authority comes from the employment requisition as developed by an analysis of the work-load and work force.

2. There must be some standard of personnel with which a prospective employee may be compared, i.e., there should be available before hand a comprehensive job description and, job specification as developed by a job analysis.

3. There must be a sufficient number of applicants from whom the required number of employees may be selected;

Factors Affecting Selection Decisions

The goal of selection is to sort out or eliminate those judged unqualified to meet to job and organisational requirements; where as the goal of recruitment is to create a large pool of persons available and willing to work. Thus, it is said that recruitment tends to be positive, while selection tends to be some what negative.

A number of factors affect the selection decision of candidates. The important among are:

1. Profile matching: Match the candidate bio-data with the job specifications.
2. Organisational and social environment.
3. Successive hurdles -Application form, written examination, preliminary interview, group interview, test, final interview medical examination, reference checks, line manager's decisions and employment.

Selection Procedure

The objective of selection process is to determine whether an applicant meets the qualification for a specific job and to choose the applicant who is most likely to perform well in that job.

The selection process involves a number of steps. At each stage more information is secured about the applicant. These stages are meant as screens, and are designed to eliminate unqualified applicant any point in the process. Each stage is a hurdle which the applicant has to clear to pass on to the next stage. Hence, selection process is also referred as "Multiple Hurdles Technique". Not all selection processes include all these hurdles. It depends on the nature of the job. It increases with the level and responsibility of the position to be filled.

For the hiring process to be successful, there should be a standard of personnel with which a prospective employee could he compared. For this purpose job descriptions and job specifications are prepared and used. Further, there must be a sufficient number of applicants to choose from.

Steps in Selection Procedure

Usually, the following steps are involved in selection procedure

1. Reception or Preliminary Interview or screening at this stage physically unfit, personally objectionable or those who create an unfavourable general impressions are eliminated.

2. Application Blank: A fact finder which helps one in learning about applicants life history and background. At this stage applicants having unfavourable personnel data are eliminated.

3. Psychological Tests: Applicants who secure unfavourable test scores are eliminated.

4. Interview: This gives a chance to the employer to have a second and close book at the applicants. Applicants who gives a poor impression are eliminated.

5. Background verification: This involves reference checks.

6. Physical by examination: Health and stamina are vital factors in success.

7. Final selection: Approved by manager and communication of the decision to the candidate.

8. Employment .

Normally weightages of marks are given for scores achieved in tests, interview, etc. While the coverage of medical check could differ from job to job, one has to clear both medical and reference check before one is finally selected.

According to Yoder, "the hiring process is one or many go, no-go gauges. Candidates are screened by the application of these tools. Qualified applicants go on to the next hurdle, while unqualified are eliminated". Thus, an effective selection programme is a non-random process because those selected have been choosen on the basis of the assumption that they are more likely to be "better" employees than those who have been rejected.

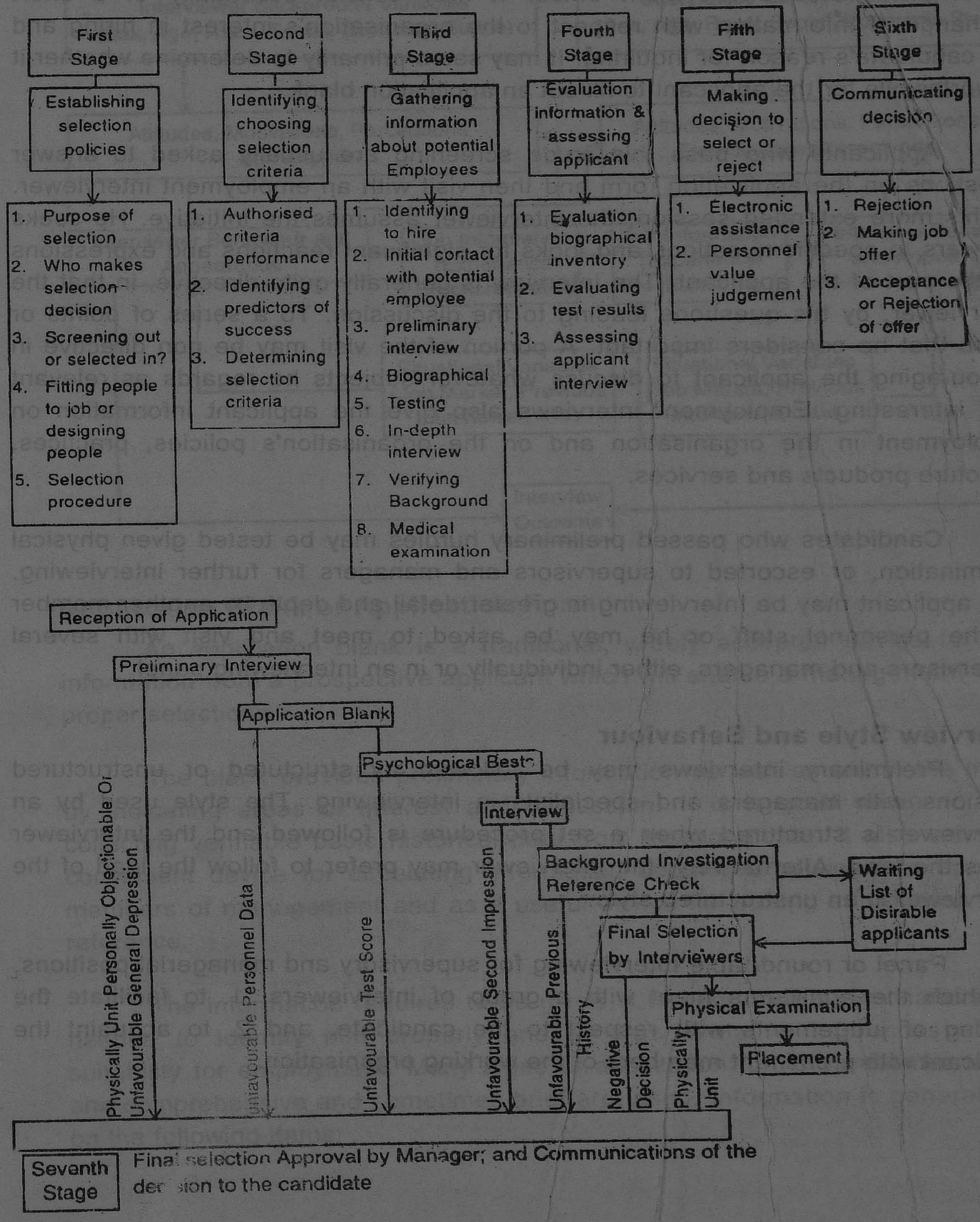
The chart gives the hiring requirements as outlined by Yoder.

Hiring Requirements

Types of Qualifications or Specifications	Types of Gauges
1. Arbitrary Security Sex Age	1. Application blank 2. Security check 3. Police records 4. Personnel records
2. Physical health and adequacy physical examination	
3. Skills (including specialised knowledge)	1. Application blank 2. Education,training,apprenticeship 3. Grades 4. Employment records 5. Reference 6. Biography 7. Trade tests
4. Experience	1. Application blank 2. Biography 3. Employment records 4. References 5. Interviews
5. Aptitude (including intelligence),	1. Employment records 2. Personnel appraisals 3. References 4. Tests
6. Interests.	1. Application blank 2. Interviews 3. Reference 4. Biography; Test inventories
7. Emotional maturity, moods, motivation	1. Interviews 2. References 3. Personnel appraisals 4. Biography 5. Employment records 6. Tests

8. Attitudes

1. Interviews
2 References
3: Personnel appraisals
4. Attitude -morale scales


First Stage
Establishing selection policies
1. Purpose of selection
2. Who makes selection decision
3. Screening out or selected in?
4. Fitting people to job or designing people
5. Selection procedure
Second Stage
Identifying choosing selection criteria
1. Authorised criteria performance
2. Identifying predictors of success
3. Determining selection criteria
Third Stage
Gathering information about potential Employees
1. Identifying to hire
2. Initial contact with potential employee
3. preliminary interview
4. Biographical
5. Testing
6. In-depth interview
7. Verifying Background
8. Medical examination
Fourth Stage
Evaluation information & assessing applicant
1. Evaluation biographical inventory
2. Evaluating test results
3. Assessing applicant interview
Fifth Stage
Making decision to select or reject
1. Electronic assistance
2. Personnel value judgement
Sixth Stage
Communicating decision
1. Rejection
2. Making job offer
3. Acceptance or Rejection of offer
Reception of Application
Preliminary Interview
Application Blank
Psychological Bests
Interview
Background Investigation Reference Check
Waiting List of Disirable applicants
Final Selection by Interviewers
Physical Examination
Placement
Physically Unit Personally Objectionable Or Unfavourable General Depression
Unfavourable Personnel Data
Unfavourable Test Score
Unfavourable Second Impression
Unfavourable Previous History
Negative Decision
Physically Unit
Seventh Stage
Final selection Approval by Manager; and Communications of the decision to the candidate

Preliminary Interview or Screening

Many selection program begin with preliminary interviews. Applicants attracted by advertising or scouting activities meet with representatives of the organisation. Such an introductory interview may take place across the counter in the organisation's employment office. It may consist essentially of a short exchange of information with respect to the organisation's interest in hiring and the candidate's reason for inquiring. It may serve primarily to determine whether it is worthwhile for the applicant to fill out an application blank.

Applicants who pass this crude screening are usually asked to answer questions on the application form and then visit with an employment interviewer. In this more extended session, the interviewer assumes the initiative. He seeks answers to specific questions and looks for significant reactions and expressions on the part of the applicant. The interview is generally quite directive, in that the interviewer, by his questions leading to the discussion. To a series of points or items that he considers important. A portion of the visit may be non directive in encouraging the applicant to discuss whatever subjects he regards as relevant and interesting. Employment interviews also give the applicant information on employment in the organisation and on the organisation's policies, practices, structure products and services.

Candidates who passed preliminary hurdles may be tested given physical examination, or escorted to supervisors and managers for further interviewing. The applicant may be interviewing in greater detail and depth by another member of the personnel staff or he may be asked to meet and visit with several supervisors and managers, either individually or in an interviewing panel.

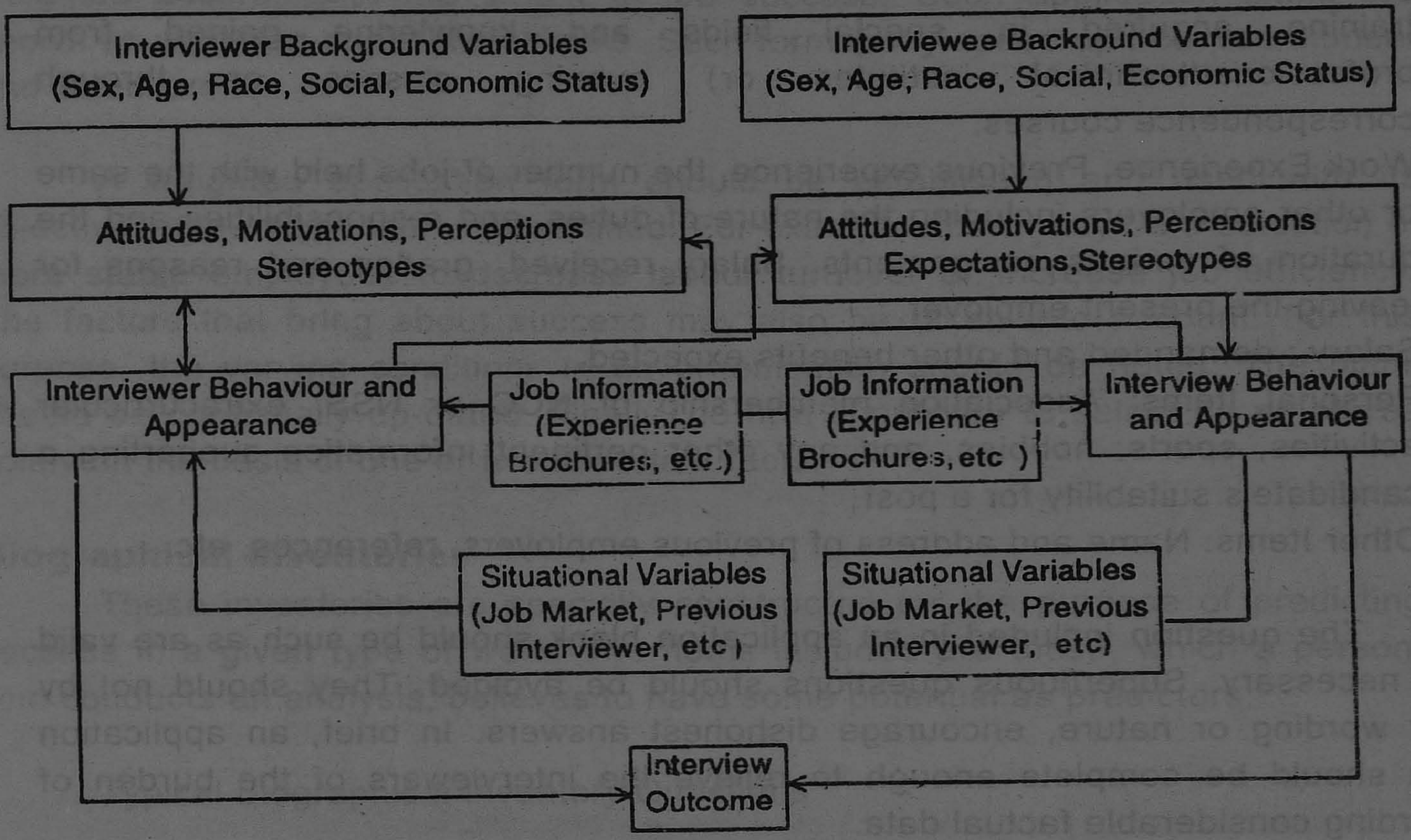
Interview Style and Behaviour

Preliminary interviews may be followed by structured or unstructured sessions with managers and specialists in interviewing. The style used by an interviewer is structured when a set procedure is followed and the interviewer takes the lead. Alternatively, the interviewer may prefer to follow the lead of the interviewer in an unstructured style.

Panel or round-table interviewing for supervisory and managerial positions, in which the applicants meet with a group of interviewers, 1. to facilitate the pooling of judgements with respect to the candidate, and 2. to acquaint the applicant with prominent members of the working organisation.

Determinants of Interview Outcome

The outcome of the Interviews are determined by the given factors


Interviewer Background Variables (Sex, Age, Race, Social, Economic Status)
Interviewee Backround Variables (Sex, Age, Race, Social, Economic Status)
Attitudes, Motivations, Perceptions Stereotypes
Attitudes, Motivations, Perceptions Expectations,Stereotypes
Interviewer Behaviour and Appearance
Job Information (Experience Brochures, etc.)
Job Information (Experience Brochures, etc)
Interview Behaviour and Appearance
Situational Variables (Job Market, Previous Interviewer, etc)
Situational Variables (Job Market, Previous Interviewer, etc)
Interview Outcome

Application Blank or Application Form

An application blank is a traditional, widely accepted device for getting information from a prospective applicant which will enable a management to make proper selections.

The blank provides preliminary information as well as aid in the interview by indicating areas of interest and discussion. It is a good means of quickly collecting verifiable basic historical data from the candidate. It also serves as a convenient device for circulating information about the applicant to appropriate members of management and as a useful device for storing information for later reference.

The information required to be given in the applicant's own hand writing is needed to identify him properly and to draw tentative inferences about his suitability for employment. Many types of application forms sometimes very long and comprehensive and sometimes brief are, used. Information is generally called on the following items;

a. Biographical Data: Name, father's name, date and place of birth, age, nationality, height , weight, identification marks, physical disability, if any, marital status and number of dependents.
b. Educational Attainment: Education (subjects offered and grades secured), training acquired in special fields and knowledge gained from professional/technical institutes or) evening classes or through correspondence courses.
c. Work Experience: Previous experience, the number of jobs held with the same or other employers including the nature of duties, and responsibilities and the duration of various assignments. Salary received, grades and reasons for leaving the present employer.
d. Salary : demanded and other benefits expected.
e. Personal Items: Association membership of NCC or NSS. extracurricular activities, sports, hobbies, and any other pertinent information supporting a candidate's suitability for a post.
f. Other Items: Name and address of previous employers, references, etc.

The question included in an application blank should be such as are valid and necessary. Superfluous questions should be avoided. They should not by their wording or nature, encourage dishonest answers. In brief, an application form should be complete enough to relieve the interviewers of the burden of recording considerable factual data.

A Specimen of short application form for Unskilled Manual Employees

Name -------------------------- Date -------------------
Address ------------------------------
Date of Birth --------------------------- Single/ married/Widowed/Divorced
Position applied for -------------------------

Details of last two jobs, including present one, if still employed

Name and address of the employer Type of work done To From Reason for leaving

1.
2.

Physical disabilities :
Have you ever worked for this concern before? Yes/No

Engaged/Not Engaged ------------------- Department -----------------------
Due to Start ------------------------------- Interviewer -----------------------

Weighted Application Blank

Some companies analyse the information on an application blank and determine statistically its relation to latter success in the job. The answers are weighted according to the extent of job success. Such application blank are known as weighted application blanks. Such forms may speed up both recruitment and selection.

A weighted application form should be established and used with its objectives should be clearly determined. For example, there may be a selection of more stable employees to decrease labour turnover or increase job efficiency. The factors that bring about success may also be taken into account. For this purpose, the varying conditions in an organisation should be noted. The blank should be continually up-dated. Finally, no firm should try to select an employee solely on the basis of one or two important facts.

Biographical Inventories

These inventories are specially constructed for the purpose of predicting success in a given type of work. The items included are those, which a person, who conducts an analysis, believes to have some potential as predictors.

Typical Biographical Inventory Questions

Classifications Data

What is your present marital status?

1. Single 2. Married no children 3. Married. with one or more children 4. Widowed; 5. Separated or Divorced.

Health and Attitudes

How often dory cut jokes

1. Very frequently; 2. Frequently; 3. Occasionally 4. Seldom; 5. Cannot remember

Health: Have you ever suffered from?

1. Allergy; 2. Asthma; 3. High blood pressure; 4. Ulcers 5. None of these.

Human Relations

What are your relation with your neighbours?

1.Not interested in them; 2. Like them but seldom see them 3. Visit each other's home occasionally; 4. Spend a lot of time together.

Personal Home Childhood Teams

With whom did you live for most of the time before you were with ?

. 1. Parents; 2. Relatives; 3. Hostel.

Personal Attributes

How creative do you think you are?

1. Highly creative; 2. Somewhat more creative than most in your field; 3. Moderately creative; 4.Somewhat less creative than most your field.

Recreation, Hobbies, Interest

How do you pass your leisure time?

1. Going to a movie; 2. Visiting friends; 3. Playing game; 4. Reading light material.

Work

How do you feel about travailing on business

1. Would you enjoy it tremendously?
2. Would you like to do something?
3. Would your travelling be troublesome if it were necessary?
4. Do you definitely dislike travelling?

A typical inventory contains a large number of items utilise a multiple - choice formal exclusively, and deals with those matters that are normally not covered in application blank. Such items deal with experiences in early life, hobbies health, social relations, values and opinions, etc.

Physical Examination

Physical examination as a selection tool can vary from the comprehensive to the nominal, depending upon the nature of the job. A comprehensive physical examination is necessary for manual jobs and jobs for the physically handicapped.

A proper matching of job requirement with physical ability results in greater utilisation of manpower. In addition, a thorough check-up before confirmation prevents infection, particularly in industrial setting where a large number of people spend eight hours together. Though seldom reported in literature, the most important function of physical examination is protecting companies from employees filling compensation claims for injuries and accidents caused by pre-existing ailments.

Stone and Kendall have outlined the following contents of physical examination:

a. The applicant's medical history is obtained by interviews between the applicant and the medical officer.

b. Physical measurement such as height, weight, chest and the abdominal circumferences.

c. General examinations, including an examination of the skin, musculature and joints.

d. Examination of special senses of the applicant-visual and auditory activity to be checked closely.

e. Clinical examination of eyes, ears, nose, throat and teeth.

f. Examination of chest and lungs.

g. Check-up of blood pressure and heart.

h. Laboratory tests of urine, blood, etc.

i. X-ray examination of chest and other parts of the body.

j. Specialist's test such as basal metabolic rate or consultation by a specialist.

k. A neuro-psychiatric examination particularly when medical history or a physician's observations indicate an adjustment problem.

In some organisations, the procedure for the physical examination and selection is a farce. A candidate is often approved within a few minutes and without having really been examined by a qualified physician. In other organisations, particularly when the appointment of a top executive is being considered, the medical examination is very comprehensive and thorough and determines whether the candidate should or should not be offered the job.

Reference Checks

After completion of the final interview and medical examination, the personnel department will engage in checking references. Candidates are required to give the names of reference in their application forms. These references may be from the individuals or from the applicant's previous employer, who is well versed with the applicant's job performance, and sometimes from co-workers. In case the reference check is from the previous employer, information for the following areas may be obtained. They are: Job title, job description, period of employment, pay and allowances, gross emoluments, benefits provided, rate of absence, willingness of the previous employer to employ the candidates again, etc. Further, information regarding candidate's regularity at work, character, progress, etc. can be obtained. Often a telephone call is much quicker as a matter of routine and treated casually remitted entirely in many organisations. But, a good reference check used sincerely will fetch a useful and reliable information to the organisation.

Final Decision by the Line Manager

The line manager concerned has to make the final decision whether to select or reject a candidate after socliciting the required information through different technique's discussed earlier. The line manager has to take much care in taking the final decision not only because of economic implications and of the decisions but also because of behavioural and social implications.

Employment

Thus, after taking the final decision, the organisation has to intimate this decision to the successful as well as unsuccessful candidates. The organisation sends the appointment orders to the successful candidates, either immediately or after some time, depending upon its time schedule.

Staffing Process

Requirements of personnel vary significantly from job to job. Some jobs require skilled workers, others need the minimum of skill. Therefore, the specific manpower requirements of each job must be determined. A well-organised summary of these requirements provides the basis for scientific recruitment and selection of personnel for any working organisation or business enterprise.

The staffing process as arranged in any business enterprise of reasonable size will include the following:

1. Job analysis,
2. Recruitment,
3. Selection of right number and right types of persons out of those available,
4. Placement,
5. Induction, i.e., informing or orienting the new employee about the place in the working of the undertaking, and
6. Promotion, Transfer, Termination or Demotion of the employees.

Staffing Schedule

The over-all summary of manpower requirements for the firm or business enterprise as a whole prepared by combining the information available from the job description and the number of job holders requited, for each job is known as staffing schedule. It is also known as manning table or personnel inventory.

Requisitioning Employees

The recruitment activities commence with requistioning of employees. As Pigors and Myres wrote "the requisition should be made on the basis of accurate job specification".

Requisition should be clearly worded. The first-line supervisors should see that all their needs are realistic and mentioned in definite terms. Technical job contents should be in conformity with those stated in the job description.

In any industrial employment recruitment forms the primary step and it leads to the final achievement of the organisation. Successful recruitment depends mostly upon the methods and organisation by which the workers are employed in the industry. They should be recruited on the basis of some systematic proper and judicious manner. If it is not dove, there may be inefficient workers quite unsuited for the jobs. Naturally such a process will affect production and cause substantial loss to total output. If the nature of the job and the worker, do not synchronize with each other, there may occur high magnitude of labour absenteeism and labour turn over. Therefore, scientific principles of labour administration and labour management should be adopted in recruitment of workers, if a country wants to go ahead on the path of industrialization.

The two reasons for an unscientific growth of system of recruitment of industrial workers in India are: 1. The migratory character of Indian labour. 2. A shortage of labour in the beginning in the organised industry in India.

Recruitment Practices in India

Findings of the various surveys conducted in India reveal that various sources for recruitment in India. They are:

1. Internal sources.
2. Badli lists or central pool of candidates from which vacancies are filled.
3. Public employment exchanges.
4. Casual labourers,
5. Labour contracts.
6. Candidates introduced by friends and relatives.
7. Private employment agencies/consultants.
8. Campus recruitment like Indian Institute of Management, Indian Institute of Technology, Indian Institute of Science, National Institute for Training Industrial Engineers, etc.
9. Sons of the soil .

Evils of Intermediaries

The recruitment of labour through intermediaries has been always fraught with serious evils. The evil varies in intensity from industry to industry and from centre to centre. It is usual for a fee to be extracted as the price of engagement, or of re-employment after a period of absence. In many cases, a smaller regular payment has also to be made out of each month's wages. In other cases, workers have to supply the jobber with drink or other periodical offerings in kind. The jobber himself has at times to subsidise the head jobber and it is said that even members of the supervising staff sometimes receive a share of the bribe. Moreover, they recruit not necessarily the most efficient men, but those who are willing to pay them the largest commission, or in whom they are otherwise interested. The eagerness of the jobber to make money in this way is also responsible for many unjust dismissals resulting in a very large turnover. The jobber always tries to create vacancies in order to fill his pockets through fresh recruits. They also advance money to the workers against their wages, and charge a high rate of interest and many dishonestly manipulate the accounts to the disadvantage of the workers. The woman workers are exploited more by the woman jobbers, who are generally women of low character because good woman workers do not accept this position as the post is not regarded respectable.

Present Position and Future

Hence, the system of recruitment through jobbers has been recognised by all as very unsatisfactory and undesirable effort have been made everywhere to reduce the power of the jobber. But, the system could not be abolished altogether and even the Labour Investigation Committee pointed out that it was not certain that Indian labour had yet reached the stage of development and mobility where the intermediary for recruitment could be easily dispensed with. The system has got some advantages also. The Jobber's close touch with the recruiting districts and villages and his understanding and appreciation of the habits, hopes and fears of the workers render his position more advantageous as compared to direct agencies of recruitment, in view of the latter's comparative aloofness. It may be pointed out that even the Government had to seek the help of such intermediaries and pay them a commission in order to obtain recruits for military service or other employment projects during the war. In recent years, attempts have been made to rationalise the method of recruitment by creating a pool of workers from which the employees can draw according to their needs. The Employment Service set up by the Government at important industrial centres serves this purpose. Further, decasualisation schemes are in operation in some industries at some centres. Thus, we find that the system of recruitment is not the same in all industries and centres.

Recruitment in Various Industries

As regards factory industries, generally speaking, a part of the labour in most factories, and a bulk in some factories, are recruited direct. Direct recruitment is more in evidence in the State of Bombay, Tamil Nadu, Punjab, Bihar and Orissa. The General procedure for direct recruitment is exhibition of a notice at the factory gate that so much labour is required. Then the General Manager himself or any other official or the Labour Superintendent comes to the gate and selects the necessary labour. Sometimes the recruitment for fresh recruits is brought to the notice of those already working in the factory, who advertise it among their friends and relations. A large number of applicants, thus comes to the factory gates on the following or the appointed day, and in some places one can see large queues of work-beggars gathering in the morning hours. However, these methods are generally effective only for securing unskilled or substitute workers. Recruitment of skilled and semi-skilled labour is more difficult and is made either by promoting more efficient workers or by inviting applications and making a direct selection after some trade test, if necessary.

The Royal Commission on Labour, in order to remove the evils of recruitment through jobbers, had recommended the employment of Labour Officers on high salaries, subordinate to the General Manager, integrity of character, personality, and the gift of understanding the individuals were suggested to be the qualities of such officers. Labour Officers have now been appointed in most of the industries and recruitment of labour is often made through them. They also inquire and report about the grievances of the workers and are to bring about cordial relations between the workers and employers. The Officers sometimes go to the adjoining villages for recruitment. Such Officers exist in a number of mills at various centres. In practice, however, it has been noticed that these Labour Officers do not enjoy the same degree of confidence among the workers as the jobbers do and hence, behind the screen of these Labour Officers, the system of jobbers still continues. The Labour Officers are required to do various other jobs for the employers.

In most factories the direct method of recruitment and the system of jobbers still prevail, though in recent years, improvement is in evidence at many places with decasualisation schemes and greater use of the agency of Employment Exchanges.

The methods of recruitment in the railways are different in different departments. Appointments to the superior railway services are made either by direct recruitment or by promotions from class II and class III Services. Recruitment to Class III posts is made through Railway Service Commissions at Calcutta, Bombay, Allahabad and Madras. Recruitment of inferior staff and unskilled labour is generally made direct. There is also considerable contract labour in railways. In non-gazetted railway services candidates of scheduled castes and tribes are given some preference. Conditions of service arid provision of Class IV Staff have been improved since 1959.

In the mining industry, in the beginning most of the workers were recruited through contractors. Some mines introduced direct recruitment by sending out paid agents but the indirect method of recruitment remained widely prevalent.

There have been various types of contractors for recruitment. Several mines engage recruiting contractors who only supply labour which is then employed and paid by the management. Some mines engage managing contractors who not only supply labour but are also responsible for the development of mines and thus form a part of the management. The most common form of recruitment, however is through what are known as 'raising' contractors. These raising contractors are not only in charge of recruitment and bear all its expenses but are also responsible for the coal cutting and loading for which they are paid at certain rate per ton. During the war, the Government also acted as contractors for the supply of unskilled labour to the coal mines owing to the scarcity of labour and the urgency of coal requirements.

The question of abolition of system of contract labour in coal mines has been brought up before various committees and conferences from time to time and has been constantly engaging the attention of the Government. The Contract Labour (Regulation and Abolition) Act of 1970 has now been enacted, which has come in force from February 10, 1971. It provides for the registration of principal employers and licensing of contractors, abolition of contract labour in respect of such categories as may be notified by the appropriate Government, and the regulation of service condition of contract labour, where such abolition is not possible. Tripartite Advisory Boards are to be set up, to advise on the administration of the Act. Colliery Employment Exchanges have now been set up for the coal mines, where the workers can register themselves. Gorakhpur Labour Organization has also been converted into a Central Employment Exchange (Labour).

In other mining industries, the position is somewhat different. The Iron Ore Mining Companies recruit their own labour direct locally, or through their own workers from the adjoining villages. Labour for contract work in the quarries is recruited through Sardars who are sent out with funds to adjoining villages and after paying advances to willing recruits bring them to the mines. The recruiting sardars are not paid any commission but their wages depend on the number of workers recruited by them.

Labour in plantations in India, which give employment to nearly 12 ½ lakhs of workers, presents peculiar features of its own. Plantation areas are situated in far-off places with a damp climate and unhealthy surroundings and the workers do not like to go there. Hence, recruitment there presented a serious problem in the beginning and led to the adoption of many undesirable methods. Intermediaries were employed who tempted the workers with promises of high wages and other facilities and took them to the plantation area. But, once the workers reached there, they were not allowed to return or even to communicate with the members of their families. Some very questionable methods, like intoxicating the workers or kidnaping of minors, were adopted to secure labour, recruitment has also been quite expensive in these plantations.

In South India, recruitment of labour for plantations was made mostly through Kanganies, who were drawn generally from the ranks of the workers themselves. They got a commission on, the wages of the workers and thus maintained contact with workers after recruitment also. The system of recruitment through Kanganies led to many abuses and the Government of India first restricted the number of labourers under each Kangani to 40 and then steps were taken for their gradual elimination. The Kangani system was abolished from January 1960. Some of the coffee estates and many of the rubber estates employ professional labour suppliers who are registered by the Labour Department of the United Planters' Association of Southern India which helps these suppliers in the recruitment of labour. One interesting feature of recruitment in plantation is that the basis of recruitment is the family, though this prevails in mining and other industries also to some extent.

In the ports, for a long long time, there existed a system of recruiting labour, for purpose of loading and unloading, through petty contrators, called toliwalas, and almost the whole of the labour required for this purpose was recruited through them. The system has been abolished with effect from April, 1948. Employment of dock workers in the ports of Bombay Calcutta, Cochin, Kandla, Madras. Mormugao and Vishkhapatnam is now regulated under the Dock Workers (Regulation of Employment) Act of 1948 which was amended in 1962 and 1970. The Act tries to regulate employment of dock workers grid remove the hardships caused to them on account of the casual nature of their employment. The Act provides for registration of dock workers in order to ensure greater regularity of employment to all workers, lays down the terms and conditions of employment like hours of work, holidays with pay, etc., and make provisions for the health, safety and welfare of the workers. Schemes have been framed and enforced under the Act to ensure greater regularity of employment for dock workers and to secure that there are adequate number of workers available for the efficient performance of dock work. The schemes which have been revised from time to time, are administered by Dock Labour Boards, consisting of representatives of Government, employers and dock workers, which have been set up in Bombay (April, 1951), Calcutta (September, 1952), Madras (July, 1953), Cochin (July, 1959), Vishakhapatnam (November, 1959), Marmugao (1965) and Kandla (October 1968). The Stevedores' Associations of Bombay, Calcutta and Madras have been appointed as the administrative bodies to carry on day-to-day work. The schemes provide for the maintenance of a monthly register and a reserve pool register for dock workers and also a register for employers and prescribe the conditions under which the name of any worker or employer can be entered in a register. Under the schemes, no registered worker can work any registered employer can ordinarily employ any worker other than a worker allocated to him.

In the ports of Bombay, Calcutta, Madras, Vishakhapatnam and Kandla, the decasualisation schemes are supplemented by 'Listing Schemes' called the Unregistered Dock Workers (Registration of Employment Schemes). One of the objects of these Schemes is to collect necessary data with a view to see whether the listed workers can be decasualised and given the benefit of regular employment, minimum guaranteed wages, etc.

Recruitment through Employment Exchanges is also made in case of certain categories of workers in different ports. Lower categories of workers and casual workers were recruited through a Central Agency, constituted by some ports but the procedure was stopped from October, 1959. Direct recruitment through advertisements, also prevails in some ports.

As regards seamen, in the ports of Calcutta and Bombay, recruitment for a long time was made through intermediaries and due to great supply, many evils crept in 1947, The Act of 1923 was replaced by the Merchant Shipping Act of 1958, which besides other things like payment of wages, healths welfare medical examination, etc., of seamen, also makes provision for the recruitment grid employment of seamen. Under the Act the Central Government has been authorised to establish at very port in India a Seamen's Employment Office for regulating and controlling the employment of persons as seamen and where such an office is established no person shall receive or accept to be entered on board a ship any seamen except through the seamen's employment office. A seamen must possess a certificate of discharge. The master of every Indian ship, except a home trade ship of less than 200 tons is required to enter into agreement with every seaman whom he employs defining the details of the voyage and service conditions, employment of children below the age of 15 is prohibited and persons below 18 years can not be employed as trimmers and stokers except when medically certified to be fit for such employment.

In tramways, in Calcutta recruitment of the staff is made through Employment Exchange directly from the relatives of the employees. In Bombay, vacancies are filled in by inviting applicants through newspapers, notices and labour exchanges.

A notable feature of the system of recruitment of labour in various industries in India is that it is not the same in all industries or even in the same industry at all centres.

The appointment of highly paid labour officers to remove the evils of the system of recruitment through intermediaries was recommended by the Royal Commission and subsequently such officers have been appointed in most places and workers are often recruited through them. These officers are now found in a number of textile mills in Bombay and Kanpur, the jute mills in Bengal and at various other places. However, such officers have not been found to inspire the same degree of confidence in the labour as people with some local standing, with the result that more often than not, instead of effecting direct recruitment, the labour have served only as a screen behind which the 'Sardari' type of recruitment continued.

Recruitment through present employees still continues to preval. In some companies labour management agreements specify entitlement to a percentage of vacancies to close relatives of senior employees. In a few cases both the employer and the union maintain registers of people eligible for employment. In the Madura Mills Company, with mutual understanding the management selects the workers usually from the list supplied by the Labour Union. In Buckingham and Carnatic Mills at Madras, recruitment of labour is made through a special recruiting officer. Trade tests, if necessary, are held in the case of recruitment of he workers on skilled or semi-skilled jobs. In Ahmedabad, recruitment of labour is made generally through heads of the department and jobbers. In Orissa, workers are recruited through Employment Exchanges.

Recently, attempts have been made to rationalize the method of recruitment by creating a pool of workers from which the employes can draw according to their needs. The Employment Exchange service set up by the Government at important industrial centres serves this purpose. Consequent upon the enforcement of the Employment Exchanges (Compulsory Notification of Vacancies) Act of 1959 in various statfs employers have been increasingly utilizing the service of employment exchanges. Further, decasualisation schemes are in operation in some industries at certain centres. Thus, in recent years, a definite improvement in respect of recruitment or labour in factories is in evidence in important industries at different places.

Contract Labour

A mention may by made here of the system of contract labour in general which appear to have got deep roots in many industries and which got some encouragement on account of the exigencies of the last war. Many establishments give out contracts of jobs or of particular operations to contractors on lump-sum payment. The contractors, who may be an individual or a firm or even a senior worker, engage his own workers. The establishment, which gives out work to a contractor, does not owe any direct responsibility in regard to this labour. Unlike direct labour, which is on the pay or muster roll of the establishment and entitled to be paid wages directly, contract labour is neither on pay roll nor is paid directly.

The principal industries in which contract labour is largely employee are engineering, Central and State Public Works Departments, railways, the cotton textile industry in some areas like Ahmedabad, dockyards, cement, paper, mining etc. In mines, as already stated, the bulk of the labour is contract labour and the system has spread to plantation also. In Ahmedabad, about 10% and in cement, paper and coir-matting industries about 20 to 25% is contract labour. Even in gold mines in Kolar, one third of the workers, and in Bengal dockyards about 43% of the workers are employed through contractors. According to some surveys, by the Labour Bureau, the percentage of contract labour to total labour in certain other selected industries is as follows; iron ore 73:9; jute pressing 73.8; manganese ore 65.8; tarpaulin, tents, sails, etc. 63.7; construction (PWD) 60.0; salt 49.1; ports and docks 38.6; limestone quarries 36.7; toy manufacturing 34.3; breweries 28.6; metal rolling 27.0; dal mills 26.4; metal extracting and refining 25.2; agricultural implements 24.8; fire bricks 24.0; wood-work 23.1; metal founding 22.6; cotton ginning and pressing 21.8; and rice mills 24.7.

Immediate employment of large labour force at short notice in order to speed up the absence for a long time of any suitable machinery for employment, like the Employment Exchanges, the lack of sufficient supervising staff and the shortage of labour have been some of the reasons for the coming in vogue of the system of contract labour. The system has persisted because of many advantages to employers in employing contract labour. When the employers give out the contract of jobs or of particular operations they have not to maintain an establishment and directly invest capital and install plants. They are, thus, able to reduce the overhead cost. They have also not to engage, labour directly and provide any benefits or welfare measures to workers and are freed from the worries of dealing with labour. In case of certain jobs, as in PWD and construction, the system of contract labour is found to be most convenient.

The National Commission on Labour (1969) pointed out many evils of the contract labour system. According to it, "there is wide disparity in the wages and working conditions of direct labour and contract labour. Wage Boards constituted for different industries have recommended extension of uniform wage rates for both direct and contract labour. But, in the absence of an effective implementation machinery, contract labour is generally paid wages below the rates prescribed for regular workers in the industry. Often they do not accept any payment other than the basic remuneration". The Commission further points out that the conditions of work of contract labour are far from satisfactory. Working hours are irregular and longer. The period for which payment is made varies from a day to six month. There is no security of employment, the job ends with the contract. Leave with wages is not available to contract labour. In the matter of housing facilities, contract labour is not treated on par with direct labour. Benefits under the E.S.I. scheme and Employees' Provident Fund Act are not available to contract labour. Because of poverty, labour was migrating for generations to various parts of the country. In order that such surplus labour may be immediately available, a Recruiting Depot was set up in 1942 at Gorakhpur to meet the urgent demand for labour for work at various defence projects connected with the war. This depot soon developed into big organisation handling about 50,000 labourers. This Organisation came to be known as Gorakhpur Labour Organisation. On account of death of local labour it also supplied labour to coal mining areas of Bengal. Bihar and Madhya Pradesh besides of U.P. After the war, at the request of the coal mining industry it was agreed to continue the supply of labour through this organisation to coal mining areas but the industry was to bear the cost of recruitment. The initial expenditure was met by the Government of India, and was subsequently recovered from the employing agencies in proportion to labour supplied to them. However, complaints were received against the working of this scheme, and an enquiry was made in 1958. In August, 1959, in a tripartite meeting at New Delhi, the Committee ultimately decided that the Gorakhpur Labour Organisation should abolished and its recruitment functions should be transferred to Employment Exchanges. The National Commission on Labour pointed out that the employment exchange service being a free service, it is anomalous that the expenditure in recruitment of workers by the G.L.O. should be charged to employers. Employers should pay only for expenditure on welfare measures. It also suggested that when the G.L.O. helps the employers in the selection of workers, the employee should take all the responsibility for such workers and the Coal-fields Recruiting Organisation should not come in the picture at all.

As a result of nationalisation of coal mines in 1973 the casual workers were converted into regular workers and the demand for casual labour from labour Depot Gorakhpur considerably declined. In the changed circumstances the Labour Depot Gorakhpur was converted into a Central Employment Exchange (Labour) Gorakhpur with effects from 1 st April, 1976.

Decasualisation of Labour .

Some factories have tried to regularise recruitment by a system of controlling substitute labour. This system known as the badli control system or decasualisation of labour. It has been devised with the two-fold purpose of giving the badli regular employment and eliminating the influence exercised by the jobber in the recruitment of labour. Under the system, on the first of each month special badli cards are given to a selected number of persons who are asked to present themselves every morning at the mill when temporary vacancies are filled up from among them. No worker is recruited as long as badli, holding cards, are available, and according to seniority the jobs are filled in. A regular register is maintained for the purpose. At Ahmedabad, the scheme was introduced with the help of the Government of India in September 1948, for the textile labour and was subsequently extended to Bombay City and Sholapur Service certificates are issued to registered workers and the length of service is considered in providing jobs. A decasualisation scheme has been introduced in textile industry at Coimbatore also. Under the Dock-Workers' (Regulation of Employment) Act, 1948, schemes have already been enforced for the decasualisation of dock workers. A decasualisation scheme is also in operation in the Tin-plate Company. Jamshedpur under this scheme a number of pools have been formed for various sections in the factory and persons are taken in each shift according to requirement. The vacancies caused by absenteeism are filled up through these pools. At Indore, a Central Badli Control Committee was set up in 1953 for the purpose of recruitment of textile workers but it could not be continued. The First Plan recommended the extension of such decasualisation schemes. The National Commission on Labour also recommends system like 'decasualisation' and 'badli control' in the case of less skilled workers and where requirements of specified categories are uncertain and in bulk.

A scheme for the formation of a pool of retrenched workers and for decasualisation of labour was sanctioned by the U .P Government in January 1950, first for six months, then for a year, and afterwards in view of its success it was decided to continue it. The scheme was started in Kanpur experimentally and four sub-offices of the Employment Exchange were opened. A good start was made by the scheme in spite of the fact that there were certain initial handicaps and limitations which hampered its progress on full scale. The Government decided to continue it on a day-to- day basis till a final decision was taken in the light of the recommendations of the Shiva Rao Committee on Employment Exchanges.

The scheme is operating in woollen, textile industries Employment of Substitute Workmen Act, 1978, every employer is required to maintain a register reserve pool workers i.e., workers employed on a job of permanent nature for 300 days or more during the 24 calendar months preceding the Act for 300 days or more during the 24 calendar months proceeding the Act and when such a worker does not get work be shall be paid disappointment allowance (33% of one day's wages) upto 90 days during 12 calendar months. The purpose of badli control system is two fold firstly it has been devised to provide regular employment to the substitute or badli labour and secondly, it aims at eliminating the influence exercised by the jobbers in the recruitment of labour.

Under the system, on the first day of each month, special badli cards are given to a selected number of persons who are advised to present themselves every morning at factory or mill when temporary vacancies are filled as from amongst them. The available are filled in according to seniority. No other person or worker is recruited as long as the badli or substitutes, holding cards, are available.

Besides the position in respect of recruitment of workers in factories as indicated above, some encouraging departures from it may be noticed in new units other than the traditional employments. Recruitment in these units is sometimes by approach to technical institutes, because of shortage of technical personnel and because of the desire of these units of could the persons coming from educational institutes to suit their requirements. Some establishments have entered into arrangements with the Industrial training Institutes of the Directorate General of Employment and Training under which the supply of their trainees in accordance with the specification of the employing agency. When the demand is large and employment guaranteed, the training courses are also modified to suit the prospective employer. Though these are, at present, isolated instances they show a welcome trend in the manner of recruitment.

Recruitment of Labour in Railways

In the railways different methods of recruitment are adopted in different departments. As far as superior railway services are concerned appointments are make either by direct recruitment or by promotion from class II and class III services. Recruitment to class III post is made by the Central Railway Service Commission through its original selection board located at the headquarters of the various railways and at other important stations. Inferior staff and unskilled labour are generally recruited direct. However, sufficient number of workers recruited through contractors are also found in railways.

Recruitment function is concerned with discovering the sources of manpower required and tapping these sources, i.e., attracting the potential employees to offer their services to the working organisation. In other words, the purpose of recruitment function is to seek out the potential employees so that they can be evaluated, their commitment is obtained and thus the new employees are placed and inducted to fill up the vacant positions in a working organisation.

Sources of Recruitment

The various sources of 'recruitment are classified into two groups ;

1. Internal sources, i.e., recruitment from within the organisation; and

2. External sources, or recruitment from outside.

Internal sources include the following (a) Transfers, (b) promotions, and (c) laid off employees.

External Sources Include:

(a) Employment at the factory gate
(b) Recommendations of the present employees;
(c) Employment exchange;
(d) Colleges, universities;
(e) Advertisement;
(f) Jobbers and contractors,
(g} Notices exhibited in work-shop or at the main gate
(h) Management or Personnel consultants, and
(i) the waiting list.

Internal Sources of Recruitment

Recruitment from within the organisation is made through promotions and transfers. In some cases demotions too may take place.

External Sources of Recruitment

Not all firms can meet all their manpower requirements from internal source alone. Employees may resign. Vacancies thus created must be filled up. Expansion programme may create new jobs with specifications which cannot be met from the list of existing employees, death, retirement and dismissal of employees do likewise create jobs. Therefore, recruitment from outside sources is necessary. These sources are briefly discussed here :

Waiting Lists

Many firms maintain their application files in which applications received from casual applicants are kept pending. Similarly individuals might have visited personally or enquired about the availability of jobs through mail or on phone.

Applications from these are also taken and kept in record. Such records, if kept up-to-date, prove very useful source of recruitment.

Jobber and Contractors

Many industries in India secure their manpower requirements through jobbers and contractors.

Personnel Consultants

There are firms of personnel or management consultants which specialise in the recruitment "of managerial personnel. It will depend upon the personal policy of an undertaking whether to make use of the outside experts in personnel matters or not.

Colleges, Universities, Institutes of Technology and Schools

All these are very useful source of employees for a full range of jobs universities may be used for recruitment of graduates to be trained for positions of responsibility. Colleges, institutes of technology etc. provide graduates and younger applicants as technicians, engineers, chemists, accountants etc. Many universities have established their own employment bureaus for the purpose.

Internal sources of recruitment can also be studied under the following headings

a. Present permanent employees.
b. Present temporary/casual employees.
c. retrenched or retired employees
d. dependents of deceased, disabled, retired and present employees.

a) Present Permanent Employees

Organisations consider the candidates from this source for higher level jobs due to (i) availability of most suitable candidates for job relatively or equally to the external source; (ii) to meet the trade union demands; (iii) to the policy of the organisation to motivate the present employees.

b) Present Temporary or Casual Employees

Organisations find this source to fill the vacancies relatively at the lower level owing to the availability of suitable candidates or trade union pressures or in order to motivate them on the present job.

c) Retrenched or Retired Employees

Generally a particular organisation retrenches the employee due lay off. The organisation takes the candidates for employment from the retrenched employees due to obligation, trade union pressure and the like. Sometimes the organisations prefer to reemploy their retired employees as a taken of their loyalty to the organisation or to postpone some interpersonal conflicts for promotion etc.

d) Dependents or Deceased, Disabled, Retired and Present Employees

Some organisations, in an attempt to show their loyalty, provide employment to the dependent(s) of deceased, disabled and present employees. Such organisations find this source as an effective source of recruitment.

Reasons for the preparation of Internal source

1. Internal recruitment can be used as a technique of motivation
2. Morale of the employees can be improved.
3. Loyalty, commitment, a sense of belongingness, and security of the present employees can be enhanced.
4. Employees, psychological needs can be met by providing an opportunity for advancement.
5. Cost of selection can be minimised.
6. Cost of training, induction, orientation, period of adaptability can be minimised.
7. Trade unions can be satisfied.
8. Social responsibility towards employees may be discharged.

External Sources

External recruitment is often needed in organisations that are growing rapidly, or that have large demand for technical, skilled or managerial employees. External sources provide a large pool of talent, and they prove to be cheaper, especially when dealing with technical or skilled personnel who need not be offered any training in the organisation, in the long urn.

Other External Sources

a) Educational and Training Institutes

Different types of organisations like industries, business firms, service organisations, social or religious organisations can get experienced candidates of different types from various educational institutions like Colleges and Universities impairing education in Science, Commerce, Arts, Engineering and Technology, Agriculture, Medicine, Management Studies, etc. Most of the Universities provide facilities for campus recruitment and selection.

b) Private Employment Agencies /Consultants

Private employment agencies like ABC consultants in India perform the recruitment functions on behalf of a client company by charging fee. Line

Managers are relieved from recruitment functions so that they can concentrate on their operational activities and recruitment function is entrusted to a private agency.

c) Public Employment Exchanges

The Government set up Public Employment Exchange in the country to provide information about vacancies to the candidates and to help the organisation in finding out suitable candidates. The Employment Exchange Act, 1959 makes it obligatory for public sector and private sector enterprise in India to fill certain types of vacancies through this exchanges.

d) Professional Organisation

Professional organisation or associations maintain complete bio-data of their members and provide the same to various organisations on requisition. They also act as an exchange between, their members and recruiting firms in exchanging information.

e) Data Banks

The Management can collect the bio-data of the candidates from different sources like Employment Exchanges. Educational Training Institutes, Candidates, etc., and feed them in the computer. It will become another source and the company can get the particulars as and when it needs to recruit.

f) Casual Applicants

Depending upon the, image of the organisation, its prompt response, participation of the organisation in the local activities, level of unemployment, candidates apply casually for jobs through mail or hand over the applications in Personnel Department.

g) Similar Organisations

Generally, experienced candidates are valuable in organisations producing similar products or are engaged in similar business. The management get most suitable candidates from this source.

h) Trade Unions

Generally, unemployed or under-employed persons or employees seeking change in employment put a word to the trade union leaders with a view to getting suitable employment due to the latter's intimacy with management.

Some Other Methods of Recruitment

It may also be pointed out that many concerns, with the object of building up a permanent labour force give preference for employment to the sons and relatives of their existing employees. But, in practice such a preference leads to favoritism, nepotism and even to communalism and facialism, and many inefficient hands get the job. Hence, in the recruitment, only scientific principles should, be applied.

Conclusion

Thus, various methods of recruitment have prevailed in industries in India and there has been no uniformity in the methods of selection of workers for different jobs. The National Commission on Labour points out that the recruitment and employment patterns and practices, as they exist today, are determined by the nature of industry and its location, age, management and size. We still notice, for instance that traditional sources and agencies of recruitment for mines, and plantations have continued to be what they were. On the other hand, many new establishments and particularly those in the public sector, have adopted practice which give to employment seekers a feeling that their just claim will not be disregarded. On the whole it would appear that impersonal methods are gradually gaining ground in the organized sector. For mining operations and also for plantations, recruitment through contractors still exists, though on a reduced scale. The exploitative character of such agencies of supply, however, is on the decline because of the spread of a new awareness among persons seeking employment. Over the last twenty years, the National Employment Service has also played a useful role in bringing together employers and work seekers. Many progressive establishments are already having recourse to selection through competition even at lower level of skill.

The only remedy to remove the existing evils of recruitment and to bring it on scientific lines lies in having a wide network of Employment Exchanges.

Model Questions

1. What is recruitment? What is the most important source of recruitment for sons of the soil? Which of the sources is most appropriate in India?
2. What recruiting strategies and approaches tend to be used when qualified employees are readily available? What changes can be expected when scarcities develop?
3. Distinguish between job analysis, job description and job specification.
4. Write short notes on:
   a. Contract labour
   b. Badli control system or decasualisation of labour.
5. Explain the various sources of recruiting labour in India.
6. Outline the factors that affect decisions in multiple unit organisations.

UNIT - 12

PERSONNEL RECORDS AND AUDIT

Maintenance of personnel records of all the employees of the enterprise is an important function of the personnel or human resource department of every modem organisation. Personnel records refer to the collected factual information relating every aspect of wages to the employees of the enterprise. They contain both negative and positive notes relating to wages. Besides personal details of the employees, records are also maintained about their failures and achievements, their acts of indiscipline, participation in strike or their cooperation and loyalties to the management. Systematic and objective personnel records enable the personnel manager to provide necessary factual information on the line managers about performance, experience, knowledge, conduct, understanding, etc., of the employees for the purpose of determining the worker's requirements, promotions, transfers, pay scale, etc. They help in economising labour costs of product of the company.

Objective of Personnel Records

Personnel records are maintained for the following important objectives:

(i) To provide complete information on demand about that, employees of the organisation.

(ii) To enable the personnel managers of the firm to find out most suitable staff for different departments and decide about their promotion and transfers.

(iii) To serve as authenticated basis for the calculation of super- annuation or retirement benefits of the employees at the time of retirement.

Different Types of Personnel Records

Personnel records contain detailed information regarding wages of the employees in an organisation. These records are maintained pertaining to individual employees or group of employees take together. Important types of records and their contents are given the following table:

	Type	Record Contents
1.	Job Record	Job titles, job descriptions, job requirements, job location, job risks and job responsibilities.
2.	Employment Records	Worker's past records, application blank, interview records, test sorces, interviewer's records, test scores, interviewer's rating scale, results of physical examination, medical reports, copy of appointment letter, etc.
3.	Performance and Training	Worker's leave records, employee's progress reports, and promotion records, merit rating, achievement records, seniority records, transfer and promotion records, performance records, probation report, employee's training record, training schedules, certificates, etc.
4.	Wages and Salary	Worker's payroll records, scales of pay, initial wage administration records fixation records, salary revision records, increments, work schedule records, leave records (leave due and leave availed) leave encashment, medical coverage, pensions and provident fund contributions, etc.
5.	Accidents, Health and Safety of Employees	Worker's sickness records and accident reports, medical history, insurance records, etc.
6.	Discipline and Termination Records	Work disciplinary action reports, termination notice, termination records, notice of disability, etc.
7.	Industrial Disputes	Causes of disputes, settlements, employee's active, roles, records, etc.
8.	Confidential Reports	Worker's adaptability, cooperation, understanding, efficiency , conditionality, etc., of the employees.

Importance of Personnel Records

Personnel records provide valuable information regarding every aspects the workers, personal matters to the management and facilitate decision-making in matters of personnel management personnel records are used by the business for various objectives.

(i) Personnel records of a worker constitute the essential basis for preparing pay roll of the employees.

(ii) Information collected in personnel records of a worker helps in assessing the effectiveness of personnel department. It assists the management to ascertain the strength and weakness of its human resources and accordingly undertake manpower planning.

(iii) Personnel records of a worker help provide up-to-date information about leave, "transfers, promotions retirements, strikes or lock-outs, mandays lost, expenditure incurred on employees, etc. They serve a useful and reliable source of information for a researcher interested in labour management problems.

(iv) This record help in identifying training and development requirements of the employees. They serve as a useful basis for planning different kinds of training programmes.

(v) This record provide logical and rational basis for reviewing and restructuring the pay scales of employees and other labour policies from time to time.

(vi) This record also provide information to the government about industrial accidents, absenteeism, wage rates, conditions of work, etc.

(vii) This record facilitate comparisons in the efficiency of different groups of workers and help in locating and analysing the causes of their poor performance. They guide the management to improve their policies for optimum utilisation of manpower.

(viii) Personnel records of a worker strengthen the hands of the management to negotitate with the labour union in a better way. They can substantiate their arguments with facts and figures.

Essential Characteristics of Effective Personnel Record-Keeping

(i) Personnel record-keeping of a worker should be simple, objective and according to the requirements of the organisation.

(ii) This record should be able to provide correct and up-to-date information easily and quickly.

(iii) Forms designed for eliciting or recording information should be simple and not burdened with too many superfluous details and complication columns. Standardised format pattern may be adopted.

(iv) Forms may be individually numbered or paper with different colours may be used for their easy identification and sorting.

(v) The entire system record-keeping of a worker should be reviewed and if need be revised from time-to-time to provide for additional information that may be required by the business.

Employees' Personal Record Card

1. Surname
2. First name
3. Father's name
4. Date of birth
5. Place of birth
6. Age
7. Sex
8. Height
9. Weight
10. Nationality
11. Marital status
12. Language known
13. Present residential address
14. Permanent address
15. Designation
16. Date of appointment
17. Date of confirmation
18. Date of increment
19. Department of posting
20. Date of joining P.F.
21. Monthly contribution to P.F.
22. P.F. when payable

2.1. Members in the family wife/son/s/daughter/s

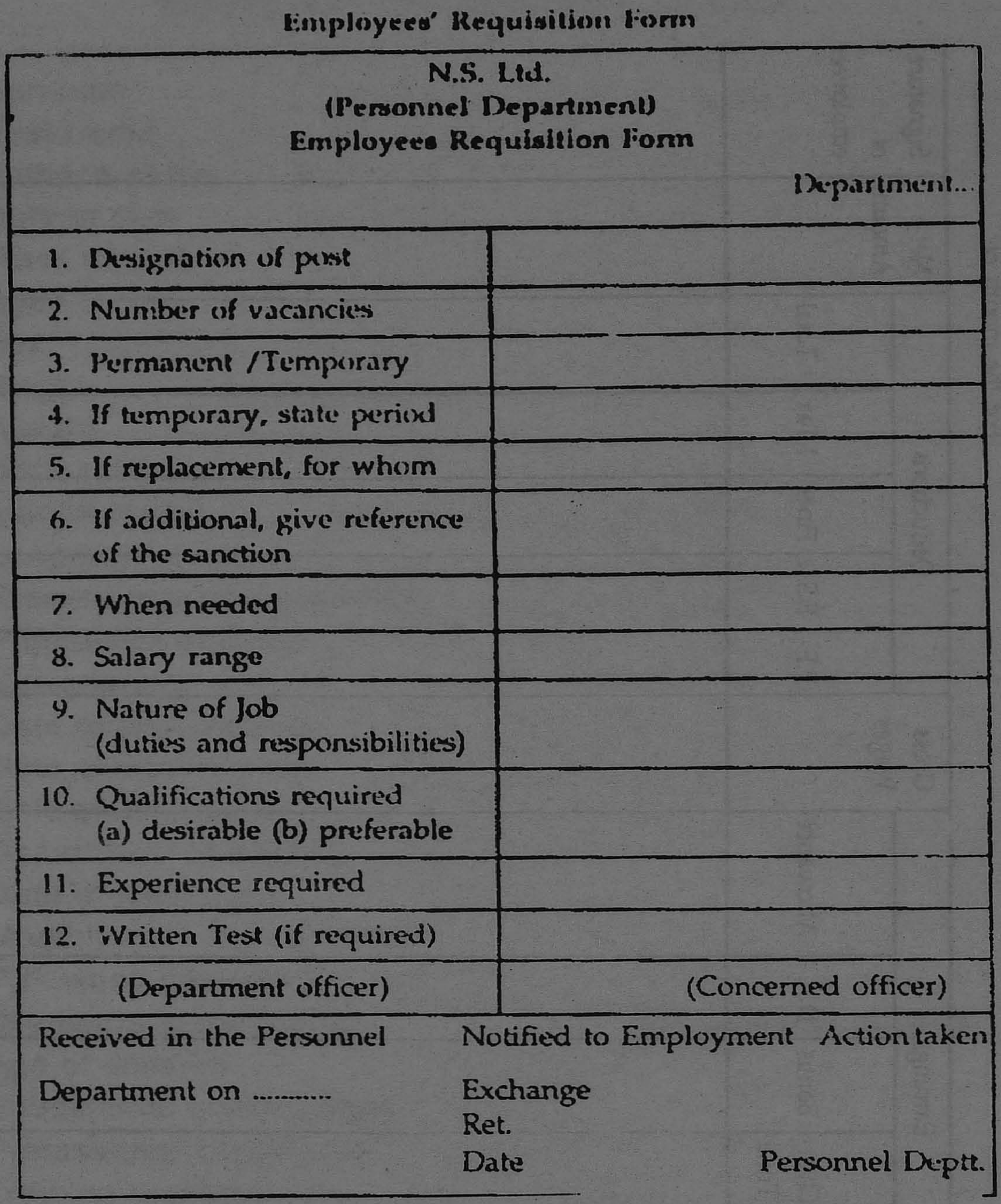
24. Age of children
25. Educational qualifications
26. Professional qualification
27. Training received
28. Promotions to .... w.e.f. ....
29. Transfer to .... w.e.f ....
30. Leave from ....to ....total number of days ....
31. Medical leave from ......to........... (Number of days) ....
32. Periodical medical examination when done
33. Performance appraisal
34. Warnings issued
35. Remarks
36. Date

Token File Number
of worker

N.L. Ltd.
Pay Roll\Wages Sheet

Department ________ For the month of ________

Sr. No.	Names of the Workers	Rate	Hours Worked		Earnings					Gross Wages	Deductions					Net Amount	Signature of employees
			Regular	Over-time	Basic Pay	Over-Time	Bonus	D.A.	Allowance		P.F.	E.S.I.	Fines	I.Tax	Total		



Employees' Requisition Form

N.S. Ltd.
(Personnel Department)
Employees Requisition Form

Department...

1. Designation of post	
2. Number of vacancies	
3. Permanent /Temporary	
4. If temporary, state period	
5. If replacement, for whom	
6. If additional, give reference of the sanction	
7. When needed	
8. Salary range	
9. Nature of Job (duties and responsibilities)	
10. Qualifications required (a) desirable (b) preferable	
11. Experience required	
12. Written Test (if required)	
(Department officer)	(Concerned officer)

Received in the Personnel Department on	Notified to Employment Exchange Ret. Date	Action taken Personnel Deptt.

PERFORMANCE APPRAISAL OR MERIT RATING

Meaning and Definition

Performance appraisal is the systematic periodical evaluation of the performance of an employee on his present job and also in relation to future jobs that he may be required to take up in coming future. It measures and evaluates the results of performance of the may include their ability, knowledge, initiative, regularity, accuracy, judgement, cooperation, versatility, personality, loyalty, leadership, adaptability, desire to grow, etc.

Objectives of Performance Appraisal

(i) Achievement of Objectives of Business:

Performance appraisal of a worker helps the business in achieving its goals. It induces the workers to put in their best to achieve the target fixed for them. Fear about the exposure of their weakness and failure motivates them to work better and show good results.

(ii) Measurement of Efficiency:

Performance appraisal of a worker helps in maintaining up-to-date detailed records of the level of experience, abilities and efficiency of each worker. If can serve as a good guide for the future recruitment and selection of policies. It ensures better placement of the employees consistent with their abilities, attitudes and capacities. It can be the most justifiable ground for transfer of employees from one job to another. It can provide the most objective and rational basis for granting promotions to the employees to higher jobs.

(iii) Guide for Formulating Training and Development Programme:

Performance appraisal of a worker serves as a guide for formulating a suitable training and development programme by identifying the strength and weakness of employees.

(iv) Motivation to Employees:

Performance appraisal of a worker serves as a feedback to the employees know-how well he is doing or where he stands with his superior, it tells him what he can do to improve his present performance. It ensures management's continued interest in good employees and of their continuous possibility to develop rewarding good employees on the basis of their performance and also encourages all of them to improve their performance.

(v) Rational Basis for Compensation:

Performance appraisal of a worker provides the most rational basis for the payment of piece work wages, increments, bonus and other benefits to the employees.

(vi) Boosts Employee's Morale:

Fair and objective performance appraisal of a worker helps the management to win over the workers. It points out their potentialities and deficiencies. It implies a scientific objective approach to assess the efficiency, initiative, ability, capacity, qualities of leadership and loyalty of the individual work of the organisation in comparison with his co-workers. It may be ascertained by comparing the superiority of an employee over others. Performance appraisal is positive and not negative. It is undertaken to appreciate good performance and not to find fault in the performance of the workers and to punish them. Quantity and quality of work, attendance, obedience, skill desire to learn, loyalty, family background, personality, etc., are some of the factors that are taken into consideration in assessing the merits of an employee and the additional wages that he may deserve.

> 'Performance appraisal is the periodic evaluation of an employee's job performance measured against the jobs stated or presumed requirements.'
>
> ***Terry and Franklin*.**

> Merit rating is 'a systematic, periodic and as far as humanly possible on impartial rating of an employee's excellence in matters pertaining to his present job and to his potentialities of a better job.'

> Performance appraisal is 'a systematic appraisal of the employees' personality traits and perfOm1ance on the job and is designed to determine the contribution and relative worth to the firm.'
>
> ***-Shubin***

> Merit rating of an employee is the process of evaluating the employee performance on the job in terms of requirements of the job.
>
> ***Scott, Clothier and Spriegal***

Performances of employees of a firm in the same manner, utilising the same approach, so that the rating obtained of separate personnel are comparable. Merit rating grades employees on their jobs on the basis of an objective and provides for the comparative review.of their jobs on the basis of an objective and provides for the concerned with the rating or evaluation of jobs as such. It is quite different from job evaluation. It does not determine the comparative worth of jobs, but the comparative performance of man. The various traits taken into consideration while attempting to rate the workers of each employee and, thus, reduces the possibility of snap judgements.

(i) This performance can be used to check the effectiveness of selection, placement and training policies of the enterprise.

(ii) This performance gives supervisors a record of progress or difficulties of the employees. They are able to command good work, point out difficulties and suggest improvements.

(iii) This performance provides comparable information that can be used as one basis for selecting employees for promotions or for individual merit wage or salary increases or selection for higher training.

(iv) This performance provides an incentive for superior achievements as workers know that their abilities are given proper recognition.

(v) This performance promotes employees morale and desire for self-development. It leads to the development of a sense of competition. Healthy competition is always good as it results in improved performances.

(vi) This performance helps in retaining good talent. It can be used as the basic of sound personnel policy in relation to transfer and promotions. If a performance of an employee is better than others, he can be recommended for promotion, but if a person is not doing well, he may be transferred to another job.

Limitations of Modern Performance Appraisal

(i) Results of performance appraisal of a worker may not always be similar under different methods of appraisal.

(ii) Quantitative appraisal of a worker may not be a correct indication of the quality of the workers.

(iii) Performance appraisal of a worker, if subjective and biased, will not be just and fair and damage the interests of the business.

(iv) This may be misused by the employers to punish employees.

(v) This may not be of much use if the rater happens to be too lenient and awards 'average' grade to every employee.

Methods of Modern Performance appraisal

Important methods of modem performance are as follows:

Confidence of the workers. It generates mutual understanding and cooperation between two conflicting interests. It improves the morale of the workers.

Essentials of Very Good Performance Appraisal System: Following are the main essentials of a good performance appraisal system:

(i) Appraisal System of a worker must be easily understandable. It should not be complex and time consuming. It should be based upon thorough understanding of all the elements of the job and the people.

(ii) This system must have the support of all the line executives, who have to administer it, otherwise it would be too theoretical and unrealistic. Rating should be done by the line executives and they should be held responsible for errors in rating.

(iii) This system should be based on clearly defined objectives. It should fit the organisation's operations and structure. It must be able to give a complete and correct objective assessment of the performance and the qualities of the employees.

(iv) This system should be periodically evaluated to be sure that it is continuing to meet its objectives.

(v) This system must be undertaken only by honest, impartial and competent persons since it is a very highly specialised job. It should be systematic and objective so that the results are verifiable and convincing to the employees.

Advantage of Performance Appraisal

'Merit rating is used in business as a record of progress for a apprentices and regular employees, as a guide in making promotions, transfers or demotions, as a guide in making lists for bonus distribution, for seniority consideration and for rate of pay, as an instrument for discovering hidden geniuses, and as a source of information that makes conference with employees helpful.

- Scott, Gotheir Qlzd spreigal

The main advantage of very good employees' performance appraisal may be grouped as under:

(i) This performance provides for uniform and systematic judgements by supervisor of the performance and conduct

1. Ranking Method:

Under this method, employees are compared with one another on the basis of their overall performance. In this way, ordering is done from the best to the worst of all the employees comprising the group. The best employee is ranked as number one and the poorest employee is assigned the last rank or the lowest rank. This is an easy and simple method of performance appraisal.

2. Graphic Rating Scale:

This is the most popular and the oldest method of performance appraisal. A graphic rating scale mart is prepared to indicate the different degrees of various qualities on which the employees are to be appraised. The specific qualities may be skill and workmanship, knowledge of the job, initiative, potential for development, leadership, dependability, loyalty, etc. The degrees of a quality are described by phrases as, poor, average, good excellent, etc., or in the form of numerical as 1.2.3.4.5., etc. Every employee is awarded scores according to the degree of ability which he possess in a particular trait. The total score will indicate the overall merit of the employee. This is a very reliable method of performance appraisal.

3. Check-list Method:

Under this method, a list of statements is prepared. Each statement is give a weight or scale value. The rating for a particular employee can be determined by adding up the weights of various statements. A specimen of check-list is given below:

Yes No

(i) Does the employee reach office well in time?
(ii) Does he work according to your instructions?
(iii) Does he possess a good working knowledge of the job?
(iv) Does he shirk responsibility?
(v) Does he generally complete what he begins?

4. Field Review:

In this method, appraisal of the employees is done by the personnel officer by collecting oral ratings about their performance from the supervisor at the place of work. After this, the personnel officer prepares his notes and invites the supervisor to make additions or corrections. This method is not widely used.

5. Confidential Reports:

A confidential report by the immediate supervisor is prepared for the determination of the subordinates promotion or transfer. The format and pattern of this report varies with each option. Seniors write their comments upon the performance of their juniors in these confidential reports. Confidential reports are considered to be valuable in government jobs.

Promotions and Transfers of Employees

Promotion of an employee is the advancement of an employee to a superior or better job-better in terms of greater responsibilities, more prestige or status, greater skill and specially increased rate of remuneration. It usually involves higher status and increase in pay.

Better hours or better working conditions or better location may also characterise the *'better-job'* to which an employees seeks "promotion", but if the job does not involve greater skill or responsibilities and higher pay, it should not be considered a promotion.

The terms *'upgrading'* refer to small-scale promotion. Upgrading is the movement of an employee to a more responsible job within the same occupational unit and with a corresponding increase in pay.

Promotion and upgrading of a worker should be distinguished from transfer, which is the movement of an employee from one job to another on the same occupational level and on or about the same level of wage or salary. No appreciable increase or decrease in duties and responsibilities is involved, although there may be a change in their specific nature and in working conditions.

Promotion should be freely and fairly used as a tool by management to place on each job the moot competent and productive workers. Promotions should be granted as a reward to encourage those employees who make a successful effort to increase their knowledge or skill and who maintain a high level of productivity. When seniority is made the sole basis for promotion, it becomes a strait-jacket.

The policy of promotion in an organisation will create a sense of loyality among the employees, improve their motivation and morale and the quality of their performance.

Basis of Employee's Promotion

Seniority Vs. Merit.:

The most important policy question in granting promotions is the relative significance of seniority and competence. "Are the employees to be promoted on the basis of seniority or on the basis of ability?"

There is an increasing tendency, especially in unionized firms, to give more weight to seniority in making to give more weight to seniority in making promotions with bargaining unit, because of the great importance that workers attach to length of service. This raises two basic questions. Are the employees with the longest service necessarily the most competent? Do the workers automatically qualify for better jobs by accumulating seniority? Will there be any incentive for new employees to improve their performance?

The answers to these questions are so often in the negative. Management stresses competence above seniority in promotion.

Seniority is an objective basis for the promotion of employees. It leaves no place for discretion or bias. Its measurements is very simple and exact. It is widely accepted and give feeling of satisfaction to employees. It inculcates a feeling of security in the mind of employees as they come to know of their place in the organisation. It reduces labour turnover and helps in winning over the loyalities of workers.

Seniority, however, over-emphasises experience and gives no credit to merit. Senior-most person need not always be competent also. Seniority alone cannot guarantee ability. Seniority does not provide any incentive to the workers for the advancement of this competence, skill or knowledge. It does not differentiate between efficient workers. It lowers the morale of the ambitious and able employees, who may leave the organisationl after some time on feeling frustrated because of their stagnation. Rigid seniority system of promotion may make it extremely difficult to attract new competent personnel. The quality and quantity of work may suffer.

The policy of promotion of a worker by seniority kills initiative of new and more efficient employees. They begin to feel dissatisfied and try to go to other places where their abilities may be recognised. In this case, the film will be left with only mediocre type of persons.

Merit refers to the efficiency and ability of an employee. Merit as the basis of promotion, provides a powerful incentive to increase knowledge and skill and make continuous improvement in efficiency .It keeps hard working and ambitious workers satisfied and encourages them to contribute their best for the success of the enterprise. It can attract new and capable employees to the organisation and can reduce the burden of the supervisory staff. It also reduces labour turnover.

However, the merit basis of promotion of a worker is generally not accepted because it leads to favouritism and nepotism. It widens the scope for prejudices and may spoil industrial relation. It reduces the morale of the senior employees. They begin to feel insecure, lose interest in their work, give up their loyalties and feel frustrated.

As such, neither absolute seniority nor exclusive merit can be a sound basis of promotion. The success of the promotion policy will depend upon the judicious combination of both seniority and merit.

Ability should be stressed as the basis for the promotion, although seniority may be considered if there is a tie between two persons of the same ability. According to Pigors and Myers, "Seniority should be considered but only when the qualifications of two candidates for a better job are, for all practical purposes, substantially equal" Sometimes, a senior person able to meet the minimum requirements of the next job may be selected. However, senior positions should generally be filled within and not by direct recruitment.

On the basis of promotion, the views of the National Commission on Labour are as follows:

> "Seniority-cum-Merit should be the basis of promotions where merit can objectively tested. Merit is a term which indicates efficiency, skill, aptitude, etc. While a combination of merit and seniority is desirable, the play of discretion in the matter of selection cannot be over-looked. A sound management will always pursue a policy of properly balancing these factors. The policy can derive strength if worked in consultation with the workers no uniform standards can be laid down for all industries, all units within the same industry, or even all categories of workers in the same unit. Older firms have evolved policies as a result of years of experience and they are not dogmatic about the possibility of success of such policies elsewhere. As a general rule we recommend that in the lower rungs particularly among the operative and clerical categories, seniority should be the basis for promotion. In respect of middle management technical positions, seniority-cum-merit should be the criterion. For higher management, technical and administrative positions, merit alone should be the guiding factor."

Characteristics of a very good promotion policy

Besides meritcum-seniority based policy of promotion a good management must give due weight age to the following considerations in laying down a sound policy of promotion for their business:

(1) Statement Regarding Basis of Promotion:

A statement of management's intention that higher paid and better jobs will be filled by promotion from within, whenever possible, rather than by hiring from outside the organisation. Relative weight may be given to merit, and seniority may be specified.

(2) Promotion Tree:

A good management must lay down lines of promotion with the organisation. It is desirable to use job analysis to develop a chart showing basic job requirements regarding competence, formal education, experience, etc., and how one job leads to another. Employees must know what is expected for higher jobs so that they can prepare themselves for advancement. The responsibilities for making promotions must be accepted by the line staff.

(3) Supervisor's Recommendations:

With the advice and assistance of the personnel department in a staff capacity, the supervisor worker should propose promotions which should then be subject to approval by his immediate superior in the line organisation.

(4) Checks on Unfair Merit Rating:

Business must follow a scientific plan of rating of workers, i.e., assessing their relative merit on the basis of an objective and systematic evaluation of their work.

(5) Provision for Training:

Adequate provision must be made for training the workers to be qualified to man the higher positions.

(6) Mutual Understanding:

There should be an understanding between the workers and the management that promotions will be made on the basis of ability and seniority considered together.

(7) Promotional Opportunities For All:

Management should provide for promotional opportunities for all, even for those who are not interested in promotions. However, promotions should not be forced upon reluctant employees. Alternative arrangements like upgrading of the post should be made to reward hardworking and loyal employees who do not want to take over greater responsibilities.

(8) Up-to-date Employee Records:

Accurate and up-to-date records of seniority and merit should be kept and the employees should be kept informed of this record and the opening for promotion.

Transfers

Transfer is the movement of an employee from one of job or position to another without involving any significant change in duties, responsibilities, required skill grade or compensation. Transfers are made to improve the utilisation of services of the employees. The main advantage of transfer lies in the fact that they can be used to remedy and rectify mistakes of placement. Transfers of employees may also be made for reasons of health or because of personal difficulties due to which the employee is not well adjusted to the organisation. Sometimes, transfers are made to check the growing vested interest of an employee in a particular job or place. Transfer improves knowledge and experience of an employee.

Labour Records and Audit.

An important function of the managerial job is to maintain control over the operations of his organisation. This equally applies to the personnel management function. It is the duty of persons in charge of manpower management to keep a record of what is happening to the personnel so that evaluation can be made periodically of how effectively the human resources of the organisation have, in fact, been utilised.

Personnel Research

There are two important areas in connection with personnel research, which are the functions of the personnel specialist or the operating line manager concerned with controlling manpower:

(i) the maintenance of personnel records or statistics; and
(ii) evaluation or audit of the personnel programme.

A scientific approach to the problem of analysing human behaviour and the development of human resources in an organisation requires a quantification of the variables to facilitate analysis. In small organisations, it may be possible to assess intuitively the relevant information and very accurate assessment of personnel variables are not very important. However, with the growth of an organisation in size, it becomes difficult to assess intuitively in view of the increased distance physically and psychologically between individuals as well as between parts of the organisation. For example, it may be necessary to analyse monthly the terminating rate and compare the termination rates among the several plants of the large organisation. Again, good management would like to know what proportion of such employee terminations were a real loss to the organisation. In addition, in case of terminations, management would like to know the reasons for them. This requires maintenance of proper records or internal statistics. In addition, good management may even want to compare with other similar companies to find out how far its own personnel policies have been effective.

The records maintained must help a personnel audit. For example, a company, which has an appraisal programme covering all its employees, would like to know how far such appraisal programme has achieved the objective of identifying promotable talent and there by helping the individual build a career in the company.

Personnel Records

An objective assessment of personnel effectiveness of an employee over period of time is possible only if proper records are kept. Forms, such as appraisal forms, the employee record card, etc., are used to record the information in a specified, uniform and orderly manner. A report is sometimes distinguished from a record in that a report's objective is generally to draw attention to certain important events or facts. The objective of these records should not merely be to record inadequacies or employment problems such as accidents, indiscipline and absenteeism. A record of these is no doubt useful. However, in a good company, it is hoped that the majority of the employees will not be problem employees and records are kept as a positive rather than negative record of what happened m the manpower management function. In fact, it is more necessary to record superior performance so that such talent might be identified for encouragement through promotion.

Usefulness of Records

There are many reasons for maintaining adequate records of employees. Personnel information is generally required for several purposes such as:

(1) for communication to other departments of the organisation;
(2) for supplying information required by governmental agencies;
(3) for succession planning;
(4) for identifying training needs;
(5) for designing training programmes around a homogeneous group;
(6) for preparing pay roll and paying compensation.
(7) for conducting industrial relations research and audit; and
(8) for identifying the magnitude of transactions involved in the personnel function.

Types of Information and Records

Personnel records of an employee relate to the following types:

1. Job Descriptions;
2. Recruitment and Selection;
3. Wage and Salary Administration;
4. Personnel Evaluation and Training;
5. Leave, Transfers and Promotions;
6. Health and Safety;
7. Employee Services;
8. Discipline and Terminations; and
9. Industrial Disputes and Morale.

In connection with job descriptions, for example, records which might be kept as a result of job analysis include detailed job descriptions, man specifications and time schedules for jobs.

In connection with recruitment and selection, it may be necessary to keep records sum as manning and replacement tables; completed employee applications when they applied for a job giving their historical background; qualifications record the interviewer's checklist or report; the interviewer's rating scale; employment history; intimation to payroll department; medical reports; test results; employee progress reports and contracts of employment

In connection with wage and salary administration, details are required for preparing the payroll. It is necessary to keep records of employee's attendance so that payroll requirements may be met in connection with normal time worked as well as overtime rates. Records most include the type of salary changes and decisions an salary reviews, besides the time record or clock cards.

In connection with personnel evaluation and training, records are required of employee ratings, performance appraisals, employee training records and training time tables.

Records have to be maintained regarding leaves, transfers and promotions. Record must be kept of requests for leave as well as the actual leaves granted. Other records in this connection include seniority record: employee review record and performance evaluation. Completed forms can help determine adequate promotions and transfers.

In connection with health and safety, accident reports, sickness reports, medical reports; medical history and time losses through accidents would supply relevant information. Similarly, record must be kept of employee services as to how far they have been used.

Again, records have to be kept for Discipline and Terminations of every employee. In connection with terminations, exit interviews can considerably help the personnel management. There is always a reason why a person leaves or resigns from an organisation. A study of such interviews might indicate a fixed pattern and suggest possible improvements in compensation, supervision, training and promotion policies. An analysis of industrial disputes as well as the number and the nature of grievances can similarly help improve the personnel management function.

Staff Record Forms in Practice

An an illustration of the type of record kept by companies, the forms used by the Varzir Sultan Tobacco Co.Ltd., are given in Figs. 1and 2.

It will be noticed that the first 17 odd items are those which can generally be completed by looking at the employee's application blank. Thereafter, a detailed record is kept regarding medical examination, provident fund, leave record, increments and rating record, warning and censures, promotion and transfer records. Thus, in one card all the details which might be required of an employee are recorded for future guidance.

Essentials of an Effective Record System

In the over enthusiasm of introducing records, organisations at times overlook the basic objective of the records system. The objective should be to supply information when needed. Information in this context means facts useful for managerial decisions in the area of the manpower management function. The element of cost must also be borne in mind and a cost-benefit analysis must be made to determine what records shall be maintained.

There are guidelines for maintaining effective records. In terms of guidelines, an existing records system can also be critically evaluated for improvement. It is also desirable to find out once again what information is actually needed by the supervisors and managers to ascertain whether the present system actually supplies that information and even whether it supplies information which is not really needed.

Figure : 1

N.K. Ltd., Bangalore

Staff Record

Surname ______________________________ Other Names

____

Date of Birth ______________________Place of Birth_____________

Home Address ____

Nationality___________________

Religion______________________

Married/Single _________________________________

Knowledage of Languages ___________________________

Language exams. Passed

____

Date of Engagement ___________________________Date Confirmed

in Management _________________

Where Engaged ________________Staff Classification

On Engagement ________________

Date of joining Pension/Provident Fund _____________________

Date of Marriage _____ Wife's Name_______ Wife's Date of Birth _______

Children

Full Names Date of Birth of Children

____

____

____

____

Educational Qualifications

____

____

____

____

Professional Qualification

____

____

_____

Promotions

To With effect from

____

____

____

Leave Spans

From	To	No.of days Accumulated	When payment is to be made

Home/Annual/Local Leave

From	To	(days)	From	To	(Days)

Medical Sick Leave

From	To	(days)	From	To	(days)

Date of Vaccination. TAB Innoculation

Vaccination Date	TAB Innoculation Date

Tetanus

Periodical Medical Examination

Medical History – Major illnesses

Record of Movements

General Remarks (Training, Courses Attended, etc.)

The question of the number of copies required of a record is also important. One method is to ask the who makes the entry to make the necessary extra copies. Of course, carbon paper can be used for this purpose. Where a large number of copies are required, some duplication process may have to be used.

A proper filing system must also be maintained for the records. Records must be properly classified so that they can be immediately made available when require. A procedures manual can be pre-pared detailing the procedure for dealing with such records.

Ten Commandments of Effective Personnel Records

(1) Be clear about the objectives and possible use of the records.

(2) Keep the records at a minimum consistent with the requirements of the organisation.

(3) Be sure that the benefits outweigh the cost of the records decided upon.

(4) Be sure that the information is available immediately it is needed.

(5) Be sure that the records are kept up-to-date.

(6) Design the forms in such a way that they are easy to complete and provide data which can be used easily.

(7) Give specific instructions on how the form is to be completed.

(8) Identify each form by a number and avoid entering of data which are not likely to be used.

(9) Centralise the responsibility for both control and design of the forms.

(10) Avoid duplication of entries in different forms.

Figure: 2

The Vazir Sultan Tobacco Company Limited

Service Record No. ____________ Factory ____________ T.No.

Record of Employee

Grade ____________

Name ____________ Sex ________ Religion ________ Domicile ________ Nationality

____

Father's Name

____

Permanent Address

____

Local Address

____

Next of Kin & Address ____________

Date of Birth ________ Date Engaged ________ Designation on Engagement ________ Number of General

Certificate of Fitness ________ Date joined Provident Fund ________ State Insurance Certificate No.

____________ Provident Fund No. ____________

Previous History

Educational Qualification ____________ Name of School ____________ Last

Employer

____________ Reason for Leaving ____________ Brief details of previous

experience

and ____________ or technical or other

Use of Reporting

As personnel management is a staff function, it is expected to provide the necessary advice and guidance from time to time particularly in the area of manpower management. This can best be done through an adequate system of reporting. Generally, top manager is more concerned with receiving such reports. In addition, it may be useful to send appropriate reports even to departmental superiors and foremen who have a heavy responsibility though in manpower management. For example, department manager can evaluate his own manpower operation by looking at a report providing comparative data on grievances, absences, and other results of personnel management. Comparison of similar records of past periods can help highlight the aggravation of certain specific problems in this area. By submitting appropriate reports and not merely flooding managers with reports, the personnel management department can create a climate of helpfulness generating increasing reliance from line managers. In addition to reporting to management, all employees are interested in reports on their own performance. The objective of giving the reports must always be borne in mind. It may even be to draw the attention of the recipient to specific problems.

Manpower research can materially generate better manpower management. For example, research on transfers may highlight that there are many transfers. An analysis of the reasons might indicate improvement in the personnel functional. A good report would suggest recommendations for necessary actions, as reports are an important tool in the managerial control function.

A good report would not only collect data but would also interpret it. Reports can be on all areas of personnel management function such as job evaluation, recruitment and selections wage and salary administration training programmes and industrial relations.

The appraisal of data relating to wages can involve the use of statistical methods. A good report can be the work of art. Besides the written form, the graphical form of presentation, wherever appropriate, can be used with advantage. Comparison yardsticks should be provided wherever possible, such as absentee rates. The report must be audience oriented and should not give data likely to be useless to the reader. Reports must also be timely to have action value.

Periodic Wage Reports

In addition to the above type of reports, some organisation have periodic wage reports on topics such as:

(1) details of employment of a worker by nature of work, sex, age, length of service, department, branch, etc.;

(2) details regarding transfers, promotions and terminations;

(3) the extent of absenteeism specifying rates by months, sex, etc.;

(4) information regarding cafeteria, where on exists, in connection with the number of meals served, the average cost involved and the ultimate profits or loss;

(5) details regarding negotiations, grievances, settlements, and awards regarding industrial disputes;

(6) comparison of new and old policies regarding industrial relations;

(7) details regarding interviews such as exit and disciplinary interviews;

(8) details regarding provident fund, health and other benefits;

(9) details regarding the suggestions system, if any, detailing the number of suggestions received and the nature of awards, if any given;

(10) details regarding bargaining programmes including information on the number trained, the type of training provided, etc.;

(11) the extent of turnover by type of work, department, month and the causes; and

(12) details regarding wages and salaries and particularly the changes incorporated.

Such periodic general reports try to summarise and present what happened in the manpower management function. Emphasis on certain aspects can be provided through a comparative analysis. Just like the annual financial report, such an annual manpower report can also indicate the organisation's well-being.

Thus, the purpose of maintaining personnel records is to help the manager perform his control function effectively. Control requires feedback in the form of reports and information. The feedback must be accurate and timely and must generate information useful in deciding appropriate action by the manager concerned.

Wage Audit

The term "audit" is derived from the Latin word 'auditus' meaning a "hearing". Thus, an audit is a ring of review resulting in a systematic evaluation. The meaning of audit in terms of accounting is well known. Today in management it is also used in terms of Managerial Audit, Marketing Audit and Personnel Audit. Thus, the wage activities can be audited resulting in a critical review and evaluation of the manpower management programme including the employer-employee industrial relations situation.

Although there are no legal requirements necessitating a personnel audit, enlightened managements have voluntarily accepted its usefulness. They use it as a tool for managerial control of the personnel programmes and practices. There is an increasing trend evaluating this function. The industrial relations atmosphere in an organisation can materially affect the productivity of the whole organisation can the earlier days, there was opposition to this industrial relations audit but in recent years it is increasingly being accepted as a device for improving the industrial relations situation. In fact, there is a gradual change in managerial philosophy even towards accepting employee participation to a certain extent Besides, the social climate is changing. There is increasing intervention from the government to control manpower management by industries with a view to protecting the employees' interests and providing them with better working conditions, wages, etc. Another group which has made its influence felt on manpower management policies is made up of the trade unions whose role and strength are ever-increasing. These are some of the factors which have encouraged he trend towards a personnel audit or a periodical review of the effectiveness of the management of the human resource.

As an organisation grows, the need for such an audit increases. A continuous feedback is necessary to improve for example, organisational structures dictated by growth. Thus, the time has come when good organisations would encourage a personnel audit in every function of personnel management.

Areas of Wage Audit

A wage audit can be conducted in every aspect of management of the human resources. For example, in term of planning manpower requirements, an audit can be made of the effectiveness of past forecasting and scheduling to ascertain how far the needs were indentified in time. If such an audit indicates that the forecasting was inaccurate, management can start thinking on how to improve the forecasting techniques and variables for more accurate results in the future.

Again over a period of time, job descriptions are likely to get out-of-date. Revised thinking might be indicated with regard to the sources of recruitment so far used. Searching for applicants within the organisation is often overlooked although it constitutes a major motivational weapon in the hands of management.

In the area of organising the manpower resource, an analysis should be made of the extent to which the personnel department was actually of assistance to line management. An evaluation may indicate re-organisation or even training for the personnel department's staff to make them more knowledgeable regarding line management's needs. An evaluation can also be made of the effectiveness with which interviews and psychological tests, if any, were conducted so that improvements can be incorporated in these areas.

In the area of staffing, an evaluation can be made of effectiveness with new employees were actually selected and placed. The training programmes can also be assessed in terms of the results generated by such programmes. This involves analysis of employees at at all levels and not only at the worker level.

Motivating the personnel is perhaps the most important aspect of manpower management. An evaluation may indicate whether the employees do feel that organisation is a good one to work for and that they have a bright career within it provided they are willing to put forth their best efforts. An analysis comparing the wages paid within the organisation with wages paid in similar companies outside can also provide indicators on the correct wages policy for that organisation. In addition, facilities such as lighting, ventilation, sanitation, recreation, maintenance of canteens, etc., must be evaluated in terms of their effectiveness. All these have their influence on the commitment of the individuals and groups within the organisation to organisational objectives. Communication is another aspect where failures are very common.

Finally, in the area of controlling manpower resources, it is necessary to identify the marginal employees for elimination. The performance appraisal of an employee as an aid to transfers and promotions. The safety requirements in an organisation can also be evaluated to determine room for improvement.

Thus, there are many areas in which a personnel audit can be conducted to improve the personnel management function. Fig. 3 in this chapter gives a checklist indicating some of the areas. A good organisation would prepare its own checklist for this purpose.

Role of Wages Audits

It should not, however, be thought that wages audit is concerned only with appraising the personnel staff or employee relations. More importantly, it can highlight how far top management has accepted its responsibility for effective personnel management and employee relations policies. It also evaluates the extent to which line managers have effectuated policies already enunciated.

Figure : 3

(I) Manpower Requirements Planning

	Yes	No
Have the vacancy forecasts been accurate?	(-)	(-)
Can the vacancy forecasts be improved?	(-)	(-)
Do job descriptions require revision?	(-)	(-)
Are good possible sources of recruitment being overlooked?	(-)	(-)
Is internal advertising overlooked as a sources or recruitment?	(-)	(-)

(2) Organizing the Manpower Resource

Is the Personnel Department generally found helpful by line management?	(-)	(-)
Does it require re-organisation or extra facilities to make it more useful?	(-)	(-)
Do the application blanks require revision?	(-)	(-)
Are the interviewers skilled in the art of conducting interviews?	(-)	(-)
Do the tests used require modification or eliminations?	(-)	(-)

(3) Staffing

Are the new employees adequately selected and properly placed?	(-)	(-)
Are the employees oriented properly in their appointments?	(-)	(-)
Were the training and development opportunities provided adequate?	(-)	(-)
Are the employees given an opportunity to improve their skills?	(-)	(-)
Are the supervisors duly trained?	(-)	(-)
Are the supervisors well-informed?	(-)	(-)
Do the supervisors posses the ability to teach and communicate with their subordinates?	(-)	(-)

(4) Motivating the Employees

Do the employees feel they have a bright future in the organisation? (-) (-)

Are the employees regularly informed regarding company policies and future plans? (-) (-)

Are the wages, salaries and fringe benefits, (like medical benefits, (-) (-) vacations and paid holidays,) in line with other employees, similarly (-) (-) engaged in the area?

Is the compensation structure fair and reasonable? (-) (-)

Are the rates same for ail those who do the same work? (-) (-)

Is the lighting, healthing and ventilation adequate? (-) (-)

Are the toilets and clean-up facilities sufficient? (-) (-)

Is the provision for recreation and/or canteen facilities adequate? (-) (-)

Is interest shown in the employees? Are they kept informed, in advance of matter affecting them? (-) (-)

Are employees recognised and respected as human beings? Are shortcomings in this behalf in management noted and corrected immediately? (-) (-)

Is an opportunity given to the employees to advance before hiring others from outside? (-) (-)

Do the employees have a feeling of belonging? (-) (-)

Is there a regular and consistent survey of the employees needs? (-) (-)

Is the process for prompt handling of the employee complaints effective? (-) (-)

Is there an open door policy? (-) (-)

Are decisions based on complaints pursued to ascertain their effect on employee morale? (-) (-)

Do the supervisors treat all their subordinates fairly and without favouritism? (-) (-)

Do the supervisors correct effectively the problems as they arise? (-) (-)

(5) Controlling

Are the marginal employees regularly weeded out? (-) (-)

Have the assessment of employee potentials proved accurate? (-) (-)

Does the performance appraisal system require modification? (-) (-)

Is there proper provision for first aid? (-) (-)

Does the equipment have proper safety features? (-) (-)

Do supervisors represent the superior properly to their subordinates? (-) (-)

Have the exit interviews indicated a pattern of dissatisfaction? (-) (-)

Is a constant effort to improve being made in an areas of the personnel management function? (-) (-)

Again, a personnel audit or an industrial relations audit should not be considered synonymous with morale surveys or surveys assessing attitudes of employees. These constitute only one small part of the personnel audit. In fact, the audit should start with the objectives prescribed for manpower management. It should evaluate policies with regard to wages, promotions, braining and development to determine whether changes are desirable. It should also evaluate programmes evolved for implementing policies such as the selection programme, training programmes and job evaluation.

Type of Wages Audits

The audits may first be divided into adhoc as against periodic audits. In most organisations, there are occasional audits but the modern trend is towards regularly scheduled audits, that is, periodic audits. Another way of dividing audits is into the internal as against the external audit. The internal audit is conducted by the company's own staff as a part of their control activities. As against this, the external audit is conducted by outsiders specifically employed for this purpose. This is just like in case of a company having internal audit and/or the normal external audit of its accounts by Chartered Accountants. The advantage of the external audit is to get an unbiased evaluating by competent people of the manpower management function. Besides, such people can bring a fresh view-point while appraising the existing policies and practices of the company. They are generally devoid of pressures organisation. Besides, when an internal staff of the company is required to do the audit, they are sacrificing their time from their other work and duties.

Audit Climate

Finally, for a wages audit to be successful, there must be a right climate created for accepting it as something useful. Sometimes management feels that such an audit is an indication of want of faith by top management. This is an emotional view-point. The objective of such an audit is not merely to ascertain weaknesses but also the strengths of the manpower management programme. In fact, the existence of such an audit indicates the desire of persons in charge of the personnel management function to do better and improve performance. Some argue that such an audit is not necessary. For example, they say that whether there is good employee relations or not is observable and no audit. As against this, the use of objective yardsticks, such as the rate of absenteeism and employee turnover when compared with such figures in other similar organisations, can throw more light than what is merely observable. Thus, both quantitative and qualitative yardsticks can be used in this evaluation. Quantitative yardsticks can thus include the number of accident, the employee turnover, the extent of use of facilities such as canteen and recreational opportunities. The number of strikes, transfers and promotions are again quantitative measures for highlighting both strengths and weaknesses of the industrial relations function. To become more meaningful, industry-wise ratios and figures considerably help. However, these are difficult to get in the Indian context. A beginning must, however, be made and it is possible for a few major organisations getting together and supplementing the existing published information in this behalf.

Social values and attitudes are changing every day. Personnel management policies must be geared to such changing scene. For example, in a climate where age and seniority are given extreme reverence, insisting on merit as the only criterion for promotion might prove ineffective. In the Indian context, it may be inappropriate for a subordinate to call a manager by his first name. The subordinate himself might feel uncomfortable. However, social values keep changing over a period of time within the same country. These must be carefully watched so that the organisational culture does not depart materially from the social culture. It is in this area that personnel management can again help. Thus, the role of the wages manager and wages management is ever widening.

In the final analysis, the wages management function is increasing in importance and securing a more sophisticated and scientific outlook. Human resources being the most valuable assets of an organisation. productivity and ultimate profitability of the entire business organisation depend considerably on the effectiveness with which the wages management function is executed.

Model Question

1. Write an essay on personnel records and audit.

UNIT - 13

EMPLOYMENT EXCHANGES

Employment Exchanges are the special offices set up for bringing together those workers who are in need of jobs and those employers who are looking for workers. All workers who want help in finding jobs apply to the Exchange nearest to their homes and details are recorded of their names, qualifications, experience and special taste, etc. Employers, on their part inform the exchanges of the jobs they have to offer and of the type of workers they want. All particulars are properly arranged in the Exchange Office. When a vacancy is notified the exchange selects those employment seekers who possess the required qualifications and submits their names to employers for consideration and interview, if necessary, is arranged between the parties. The final selection rests with the employers. In case of those not selected by the employers the exchanges continue making efforts until suitable employment is found. Thus, they bring about an adjustment between the demand for and the supply of labour and the right man to the right job is provided.

Employment exchange is another name for a labour exchange, which is a special office set up by the government for bringing together as quickly as possible those labourers who are in search of employment and those employers who are looking for labourers.

Importance and Functions of Employment Exchanges

The importance of employment agencies run by the State was universally recognised in 1919 at the Washington International Labour Conference. Convention and a Recommendation by the I.L.O. at the 31st session of its, General Conference held at San Francisco in 1948.outlines the duties and functions of Employment Service Organisation and pleads for the cooperation of employers and workers in making it a success.

The importance of employment exchanges can hardly be exaggregated. They have got a definite place in an orderly system of industrial relations. The maximization of national dividend depends on two things: avoiding involuntary unemployment on the, and giving each worker the job for which he is best suited on the other. The employment exchanges can play an important role in this respect. Th exchanges, no doubt, cannot create new employment; what they can do is to bring about the best adjustment between the demand for and the supply of labour. One important reason for mal-adjustment between workers and jobs is the lack of knowledge regarding available jobs on the part on the workers and regarding available workers on the part of the employers. In such cases the

Employment Exchanges serve as clearing houses for the relevant information. The desirability of having some orderly machinery for the marketing of labour should be sufficiently appreciated.

The Employment exchanges have the responsibility of seeing that the available jobs are filled by the men best fitted to hold them. The workers, through them, get the best suitable employment and the employer the best suitable men. The time-lag between occurring vacancies and their filling up also becomes as short as possible .The defects of recruitment, through jobbers, etc., with all its evils, are also removed. The employment exchanges also see that the necessary skill is available in the market and is distributed satisfactorily among the various branches of production. They disseminate information about manpower and jobs, about employment and unemployment, which information is useful to the public as well as to the Government. They also help in the resettlement of displaced persons, refugees and ex-servicemen. Sometimes it so happens that though there be unemployment in some places, there is labour shortage in certain other places. Such a situation may arise because of two reasons: the unemployed may be altogether ignorant of the openings of employment; or they may not be suitable for the available jobs because of lack of necessary training. In all such cases the employment service can certainly prove highly useful in reducing unemployment. It can serve not only as the source of necessary information but also as the agency providing the necessary training for prospective employment. It can, thus, reduce the friction and delays involved in the process of readjustment necessitated by changes in the labour markets and can consequently mitigate the ills of unemployment to some extent, though it cannot do much by way of increasing the total employment.

It is also a wrong impression that all the advantages to be derived from an efficient employment service are for workers only. The Employment Offices are also highly useful from the employer's point of view. Every employer knows how important is to fill the vacancies as quickly as possible. He also knows that it is not enough just to have the vacancies filled, but that they must be filled by appointing the right man for the right job. Now, in achieving both these objectives the employment office can be of great help. When workers are recruited at random as they happen to walk into the recruiting office, the employers have either to wait long for getting suitable hands or to undertake the training of an abnormally large number of new employees. But, an employer cannot afford to do either and consequently, his recruitment tends to produce an unusually high proportion of misfits, which, in its turn, leads to a heavy labour turnover. In addition to this the employer has to bear the expenses of advertising the jobs, and of maintaining a recruiting office, which ultimately turns out to be of little use. If, on the other hand, an employer can obtain his men through employment agencies, all the cost and difficulties mentioned above can be avoided.

The advantage of an employment service to the unemployed are universally admitted. In the absence of such a service a worker in search of job will have to go with an application from establishment to establishment. The success in such a, more or less, blind search for employment becomes a matter of chance. Such waste is highly undesirable from the point of view of all concerned -the worker, the employer, and the community taken as a whole. The costs assume greater proportions, when such a chance method of seeking jobs involves going to distant places entailing greater loss of time and money. With the help of the employment exchanges all the waste involved in a haphazard and unguided search for work can be avoided.

The main functions of employment exchanges may, thus be summarised as follows: (a) They work as an intermediary between employers and employees leaving both of them to settle the terms. There is, thus, an adjustment between the demand for and supply of labour. (b) They increase the mobility of labour by directing the surplus labour in one area to other deficit areas. Thus, an adjustment of uneven distribution of labour due to lack of information is brought about. (c) They eliminate bribery and corruption in recruitment by offering a free service to all. The fittest and right person for a job is provided. (d) They collect statistical information regarding unemployment and manpower so as to build up a composite picture of labour market in the country. (e) They also help in the implementation and operation of schemes like unemployment insurance decasualisation of labour, rehabilitation of displaced persons etc. (f) They also provide training facilities to increase the employability of job workers. (q) They give vocational guidance or employment counseling to persons or parents and guardians about their wards. (h) They reduce frictional unemployment by reducing the time lag between occurring of .vacancies and their filling up, though they cannot create employment opportunities.

The employment exchanges, therefore, as in other countries, have got a very important and, distinct role to play in any scheme of social security and economic uplift of our country. The organisation renders a free and voluntary service. If it is looked upon as a commercial venture as in some other countries, then, perhaps it cannot succeed in India. The I.L.O. Convention also recommends a free service. It has to continue as a national and social service organisation of great public importance. The care, however, should be taken so they are not tied up with a considerable amount of red tapism usually associated with all government departments. All industrialists cannot afford to wait while the exchange office takes time in finding suitable workers. Similarly, men who need work cannot be kept waiting hanging round the exchanges while they have nothing to eat at home. The exchanges have to be quick, efficient and business - like if they are to fulfil the object for which they are set up.

The exigencies of the Second World War that led to the promulgation of the National Services (Technical Personnel) Ordinance in 1940, in order to control and mobilise the technical personnel required for successful prosecution of the war. As the war progressed, it was felt necessary to look ahead and build an employment organisation for voluntary placement of the skilled and semi-skilled personnel demobilised after the termination of hostilities. In 1945, thus, came into existence the Directorate General of Resettlement and Employment under the Ministry of Labour. Government of India with a view to promote the resettlement and re-employment in civil life of demobilised members of the defence services and discharged war workers. The Employment Service Organisation, a delicate mechanism initiated for the purpose, consisted in the beginning of 1 Central Exchange, 9 Regional Exchanges, 59 Sub-regional Exchanges, 2 Special Exchanges (one for naval and the other for aircraft trades) and 173 employment information bureaus as against the employment exchanges started during 1943-44. The Central Exchange was to coordinate the work of Regional Exchange within their respective areas and to act as provincial clearing houses. Sub-Regional Exchanges were responsible for the registration and placement of personnel within their respective areas. The employment information Bureaus were to perform agency functions and form a link between the demobilised persons and the Sub-Regional Exchanges.

The scope of the employment services organisation was extended in 1947 to include persons displaced due to the partition of the country. In 1948, the scope was further extended to include all categories of the employment seekers. In 1949, the life of the Directorate General of Resettlement and Employment was extended from 1950 to 1952 and subsequently to 1955.

In 1951, the Union Government of India appointed a Committee called the Training and Employment Services Organisation Committee under the Chairmanship of Shri. B. Shiva Rao, to examine and report about the methods and organisation of the Employment Service Organisation (ESO). It was a also to consider whether it should be made obligatory for industry to recruit personnel through employment exchanges and to consider whether a levy could be imposed upon employers and employment seekers in order to finance part of the cost of the ESO.

The report submitted in 1954, included a number of important recommendations, aiming at increasing the efficiency of the ESO. The Committee outlined the following recommendations.

(i) That the organisation (ESO) under the new name of the National Employment Service should be placed on a permanent basis.

(ii) That it should continue to operate for both employers and workers without any charge.

(iii) The day-to-day control and administration of the employment exchanges should, however, be transferred from the Central Government to the State Government.

(iv) That the specific responsibility of the central headquarters should include formulation of national policies, standards and programmes; supervision of the exchanges and provision of leadership and guidance in counselling and training programmes, as well as collection of information about employment and establishment of contracts with the industries. The functions of the State headquarters was also likewise recommended.

(v) That to improve the quality of service to employers and employees there should be introduction of aptitude and trade testing programme with a view to assessing the suitability of the applicants; that there should be collection or publication information on general employment outlook; that there should be employment counselling programmes that there should be introduction of an occupational research an analysis programme; and that undue attention should not be paid to the registration and placement of unskilled workers.

(vi) That exchanges should maintain continuous relationship with the employers' and workers' organisations in their areas; and

(vii) That private employer should be required on a compulsory basis to notify to the exchanges all vacancies other than vacancies for unskilled categories and vacancies of very temporary duration.

In pursuance to Shiva Rao's recommendations, the Central Government has limited their responsibilities to policy making, coordination of procedure and standards and to rendering of assistance, whenever required. The Central committee, set up in 1958, advised the Central Government on problems relating to employment, creation of employment opportunities and the working of the NES. The activities of the NES have continued to expand to make its functional side more effective. The Employment Market Information service to persons seeking work and employers seeking employees. The studies on a continuous basis, an appraisal of trends and conditions in each employment market area the relationship between the supply of and demand for workers, the occupational and the industrial disposition of the labour force and the type of the personnel that remain short supply over long period.

The NES also started disseminating occupational information prepared a National Classification of Occupation and provided career information to job seekers through Vocational Guidance Programmes. These programmes were expected to help further in organising the labour market and regularising recruitment.

The employment exchanges (Compulsory Notification of Vacancies) Act, 1959, made it compulsory for an employer employing 25 or more workers to notify vacancies (with certain exemptions to the NES.) The main purpose behind this legislation was not so much to control the sources and agencies of recruitment as to have a better appreciation of the state of the labour market.

The Third Plan witnessed a further extension in the NES which had at lest one office in almost every district. Many University Employment Bureaus have been opened to help students with employment information and assistance in getting placement. Special employment exchanges have also been set up to cater to the needs of colliery workers the physically or handicapped, displaced persons and rural workers persons. Various arrangements for understanding the shortages and surpluses of skills were further streamlined.

The core objective of the five-year plans in India are to expand employment opportunities in the country. For poverty alleviation and effective utilization of human resources, for economic and social development, expansion of employment in terms of income and productivity are essential. However, a growth of labour force in the country is growing faster than the average rate of growth of employment. As result unemployment rate has been on the increase. The eighth five year plan and subsequent Ninth Five year plan have accorded priority for generating adequate employment for all, so that a near full employment should be created. Estimates of employment, in organised public and private sectors have presented wide table below.

Table 13.1

Employment in the Organised Public and Private Sectors

(Figures in lakhs) **(As on 31 March 1991)**

Sectors 1	1990 Male 2	 Females 3	 Total 4	1991 Males 5	 Females 6	 Total 7
Public sector	164.88	22.41	187.29	166.22	23.43	189.65
Private Sector	62.01	13.89	75.90	64.06	14.48	78..54
Total	226.89	36.30	263.19	230.28	37.91	268.19

Figures in Percantage

Sectors	Male	Females	Total	Males	Females	Total
Public sector	88.03	11.97	100.00	87.55	12.35	100.00
Private sector	81.70	18.30	100.00	81.56	18.44	100.00
Total	86.21	13.79	100.00	85.86	14.14	100.00

Employment Exchanges

The National Employment Service consisted of a network of 854 employment exchanges (as at end of December 1991) for registration of job-seekers and their placement against vacancies notified by employers. The number of applicants on the live register of employment exchanges at the end of August 1992 was 371.2 lakh (provisional) as against 358.31akh at the end of August 1991 i.e., an increase of 3.6 per cent. The number of job-seekers on the live register of employment exchanges increased from 178.38 lakh at the end of 1981 to 262.70 lakh by the end of 1985 and to 371.20 lakh by the end of August 1992. The number of job-seekers on the live register of employment exchanges does not, however, give a realistic estimate of unemployment and would need to be corrected for the following factors: (i) those who are employed but registered with the employment exchanges (ii) those who are unemployed but not registered with the employment exchanges, (iii) multiple registration which is common though not permitted as a matter of policy and (iv) those persons who are presently registering with employment exchanges in advance. Information regarding educated job-seekers (Matric and above) available up to the end of December 1990 shows that 61 per cent of the 346.3 lakh job-seekers on the live register of employment exchanges at the end of December 1990 were educated. The breakup of educated job seekers at the end of December,1990 by level of education is shown in Table 13.2

Table 13.2

Job-Seekers (Matric and above) on the Live Register of Employment Exchanges

(in 000's)

Educational Labour 1	Males 2	Females 3	Total 4	(As on 31 December 1990) Proportion of females 5
				(Pecent)
1. Matriculates	9778.9	2548.8	12327.7	20.7
2. Above matriculation but below degree	4121.0	1035.4	5156.4	20.1
3. Graduates / post graduates				
(a) Arts	1114.7	452.3	1567.0	28.9
(b) Science	551.7	177.8	729.5	24.4
(c) Commerce	557.8	98.8	656.6	15.0
(d) Education	213.5	196.4	409.9	47.9
(e) Engineering	84.0	11.6	95.6	12.1
(f) Medicine	22.8	8.9	31.7	28.1
(g) Others	112.6	19.9	132.5	15.0
Total (a to g)	2657.1	965.7	3622.8	26.7
Grand Total (1+2+3)	16557.0	4549.9	21106.9	21.6

Source: Ministry of Labour, DGE & T

Matriculates and above but below graduate degree constituted 82.8 per cent of the educated jobseekers and the remaining 17.2 per cent were graduates and above.. About 21.6 per cent of educated job seekers were females.

Vocational Training

The strategy for quantiative and qualitative enhancement of employment opportunities has crucial elements like improvement in the quality of labour, productivity, skills, working conditions, provision of welfare and social security measures, specially of those working in the unorganised sector. There are a large number of skill development schemes for improving employability and productivity of the labour force and ensuring a regular supply of skilled manpower at different levels. Craftmen's Training and Apprenticeship Training are two major programmes of skill development. At present 2447 Industrial Training Institutes (ITIs) with a total capacity of about 3.89 lakh seats runcourrses in 40 engineering and 22 non-engineering trades in accordance with standards set by the National Council of Vocational Training (NCVT). Out of these, 154 ITIs and 129 Women's wings in other ITIs cater exclusively to the vocational training needs of women. The ITIs' infrastructure is also utilised for the TRYSEM Programme. Further, ITIs in certain States/UTS such as Haryana, Himachal Pradesh and Delhi conduct non-formal short-term courses. A network of Advanced Training Institutions provides advanced level training in different fields to workers employed in industry for upgrading their skills. Practical training at the shop floor is provided under the Apprentice Act, 1961 in 128 trades in 218 industries to engineering graduates and diploma holders (graduate and technician apprentices) in 76 fields of engineering and technology and also to those passing out of the vocational stream of the 10+2 system of education. A World Bank-assisted Vocational Training Project to modernise and update the Craftmen and Apprenticeship training has also been taken up.

Table 13.3.

Job-creation : By Select industry Group

Industry Group	Public sector		Private sector (Net addition in '000 during)		Total	
	1982-86	1987-91	1982-86	1987-91	1982-86	1987 -91
1. Agriculture	-	-	- 6.6	0.8	-	-
2.Manufacturing	16.8	- 8.7	24.4	12.7	41.2	4.0
3.Transport, Storage and Communication	54.9	27.7	-	-	52.7	26.2
4. Services	148.5	100.8	4.8	- 0.2	153.3	100.6

In the additional 1.49lakh jobs created during the period 1987 to 1991, males accounted for 49.8 per cent and females 50.2 per cent, the corresponding figures for the earlier five year period being 50.7 per cent and 49.3 per cent. The male-female ratio as between the two periods dealt with had slightly changed from 81: 19 to 79: 21. The relevant particulars in absolute terms could be had from the following table:

Table 13.4

Changes in Employment: By Sex Composition

Male / Female

	1982-86		1987-91	
	Male	Female	Male	Female
Absolute change in Employment ('ooo')				
Public Sector	116.8	107.7	72.1	63.9
Private Sector	3.4	9.1	2.0	10.9
Total	120.2	116.8	74.1	74.8
Annual Average Growth Rate (%)				
Public Sector	2.10	11.80	1.19	4.53
Private Sector	0.15	1.14	0.08	1.31
Total	1.47	6.70	0.85	3.29

Employment growth rate had decelerated in Tamil Nadu over the last five years. Do we have a parallel trend elsewhere in the country is a relevant question we .may now examine.

Inter-State Growth Trends

Employment in the Organised Sector at the national level as at the end of March 1990 works out to 3202 per lakh population. The analysis here is confined to those major States in which employment per lakh population was higher than 3202. In eight major States including Tamil Nadu the ratio was higher than at the all India level. The trends in employment growth in these eight States plus Karnataka and Andhra Pradesh (Southern States) have been studies here. The States wise data pertaining to the two reference periods are presented below:

Table 13.5 Inter state growth trends

Select state	Annual Average Growth Rate (percent)					
	1981 –85			1986 -90		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
1. Maharashtra	2.63	0.58	1.79	1.34	0.66	1.08
2. Assam	3.66	- 0.37	1.36	2.96	2.49	2.70
3.Tamilnadu	3.33	1.27	2.58	1.80	- 1.19	1.15
4. Gujarat	3.13	2.54	2.85	1.82	0.97	1.45
5. Punjab	3.13	2.07	0.84	1.90	2.48	2.04
6. West Bengal	1.36	- 4.09	-0.84	- 0.13	0.07	-0.05
7. Kerala	3.03	0.87	1.96	- 1.62	0.83	0.48
8. Haryana	3.78	0.04	2.41	1.51	0.72	1.20
9. Karnataka	2.78	1.20	2.30	2.50	1.69	2.26
10.AndhraPradesh	2.56	0.92	2.18	2.17	1.65	2.06
All-India	2.75	0.21	1.95	1.64	0.76	1.38

It is evident from the table that the growth rate of employment in the organised Sector (public and private sectors put together) has slowed down during the second half of the eighties in all these States except Assam. The public sector registering a slower pace of growth mainly explains the situation. It may incidentally be noted that private sector employment had recorded a faster rate of growth during the latter half of the decade in all the States with the exceptions of Tamil Nadu, Gujarat and Kerala.

Employment Position: 1990-91

The Enquiry under the Employment Market Information Programme was addressed to 22, 818 establishments during the year ending March 1990 by 58 establishments. Of the total number of establishments covered, 10,871 were in the public sector and 11,947 in the private sector. The total number of jobs provided by these establishments as at the end of March 1991 at 22.89 lakh was higher than in the corresponding period of 1990 by 27.2 thousand. While the Public Sector accounted for 16.3 thousand (60%) of the additional jobs created during the year, the private sector did for 10.9 thousand (40%). Female employment increasing by 23 thousand during the year took it up to total 5.02

lakhs as at the end of March 1991. The increase in female employment accounting for 85 per cent of the overall increase this year was successive to its relative contribution of 63 per cent in the previous year.

Public Sector Employment

Employment in the public sector touched 15.79 lakhs as at the end of March 1991, increasing by 16.3 thousand over the previous year's level. It should, however, be added that the extent of job creation in this sector this year was the lowest in the last five years. How the different agencies constituting the Public Sector had influenced the change in employment between the two years under reference can be seen from the table given below:

Table 13.6

Changes In Public Sector Employment: By Agency

Agency	Absolute change in '000 during	
	1980 –90	1990-91
Central Government	6.2	- 0.8
State Government,	15.6	- 4.5
Quasi Government	2.7	8.8
Local Bodies	- 2.2	12.8
Total	22.3	16.3

Public sector employment as of March 1991 was composed of 20 per cent females and 80 per cent males. Female-employment had registered a net increase of 21.4 thousand during 1990-91 whereas male employment had registered a decrease of 5.1 thousand. An industry group-wise classification of the changes in public sector employment between the two years under reference attempted below according to sex will throw further light on the subject:

Model questions

1. Explain the role of employment exchanges in India.
2. Explain the functions of employment agencies.

UNIT - 14

CONDITIONS OF EMPLOYMENT

Importance of Working Conditions

The conditions under which a person works have got a marked influence on his health, efficiency, psychology and the quality of work he does. It is said that environments create a man, and if we improve the environments we improve the man. It is not possible to carryon the hard work under unhealthy surroundings. Concentration in the work is most essential, and the concentration is possible only if there are no out-side disturbances to divert the mind of the worker. Even the colour on the walls, placement of machinery, etc., have some effect on the psychology of a labourer.

It has to be realised that good working conditions have a great effect not only on the efficiency of the workers, but also on their wages, migratory character and industrial relations. The efficiency of a worker depends directly on his health and willingness to work. In the absence of desirable working conditions, the worker is not comfortable and feels as if his job is a very tough one, and he becomes sluggish and it becomes difficult for him even to pass the time. With good working conditions not only the worker remains happy but the employer also gains, because with better efficiency, production is greater. Wherever the conditions of work are healthy and employers make provision for the welfare of the workers, the labourers are willing even to work at lower wages. Besides, one of the important causes of migratory character of the Indian labour is that the workers who comes from the open surroundings of the village, finds the work in the factories entirely different and under bad working conditions feels miserable and try to go back to his village as early as possible. Good working conditions can remove this important cause of the instability to a great extent. The relations between employers and workers will also improve if the employers take care of the conditions under which the workers have to work and provide them with a bright and clean atmosphere. The workers will also not feel much exhausted and depressed, and will have more time to devote for their organisation, family and welfare measures.

Scope of Working Conditions

Under working conditions, we can include a number of things, like sanitation, dust and dirt, temperature and humidification, ventilation, space-inside the factory, safety measures like fencing of machines and also many welfare measures like canteen, bath-rooms and washing basins, drinking water arrangement, refreshment rooms, etc., and also hours of work, night work, shift system, etc. Many of the above things are provided under welfare measures and many by various Factories Acts. However, the general atmosphere like sanitation, ventilation, temperature, lighting etc., mostly depends upon the employers and their willingness to realise the importance of working conditions for the health and the efficiency of the workers inspite of the minimum requirements fixed by law.

Various Aspects of Working Conditions

Sanitation is perhaps the most important factor in determining the good working conditions. By sanitation is meant the cleanliness inside the factory, white washing, pucca floor, neat and clean machines, suitable arrangements for latrines and urinals, outlets for drainage, provision for waste material baskets or tins, etc.

There should also be provision for removing dirt and dust inside the factory. In a number of factories the manufacturing processes are such which create a large quantity of dirt. Dirt and dust are also caused if roads inside the factory are kachcha and the ground is not watered properly or the factory is situated on the main road. In dusty and dirty atmosphere, a worker cannot breathe properly and it causes many diseases, and affects the eyesight also. Provision must be made to water the paths and roads, properly provide pucca floors and paths, and remove the dust and dirt by proper air conditions and cleanliness.

Another important item under working conditions is temperature and humidification. The provision of electric fans, exhaust fans, air conditioning plants and Khas Tatties in summer can improve the conditions.

Adequate ventilation is another necessity. It is effected by windows, ventilators, etc. It may also be artificial, comprising buildings of extraction appliances. It is urgently needed, specially, in textile mills, where work is often carried on industry and moist air. The evil effects of insufficient ventilation are by proper ventilation well-known, but in Indian factories much attention is not paid to this aspect.

Another item is lighting. Adequate and suitable lighting in places of work-protects the eyesight of the employees and increase their output. Natural lighting may be derived from the roof or from side windows. Artificial lighting may be had through electricity, kerosene or pertromax lamps. The continuous use of artificial lighting is, in/Itself, unnatural and strains the eyes. Unsatisfactory illumination increases liability to accidents and results in reduction in the output. Lighting should not only be sufficient but it should also prevent shadows on the actual place of work, and should not fall directly on the eyes of the operations.

Fencing of machinery and adequate safety precautions are essential inside the factory in order to prevent accidents. Provisions have been made for that purpose in the various Factories Acts, but it is also essential that they should be properly enforced. Sufficient space should be provided between machines in the factory

Arrangements must be made of drinking water inside the factories and for rest shelters for the workers to take meals. Hours of work should also not be long and there must be provision for rest places also.

Physical mechanical as well as organisational environments constitute working conditions in an industrial or business establishment.

Working conditions have a very wholesome influence on efficiency, morale and industrial relations. Mere provision of financial incentives cannot lead to higher efficiency, as the roots of bad factory morale are not always economic, although wages and security are obviously dominant motives to any workers with the responsibility of dependants. But, even physical factors have an important influence in shaping the mental background of work. The mechanical environment in the establishment also has much to do. It is the indiscriminate use of machines that has distressing effects on the workers. The personal feelings of an individual reflect also the more general feelings which pervade the group in which he is working individual reaction to a given situation is in fact, largely influenced by the moves of the particular group in which he belongs. The undisciplined and negligent behaviour on the part of workers to a large measure attributed to early deterioration of their mental and physical fitness consequent upon the most discouraging conditions of work within the establishment. It is the environment of the organisation as a whole that has got its considerable impact on efficiency of various resources employed, as well as industrial relation, for industrial disputes do, apart from economic cause also take place on account of maladjustment between the jobs and working conditions.

Though attention to the environment of work is economically worthwhile, the repercussions of good conditions do not stop at improvement of efficiency only, but through the workers mind do reach down to springs of willingness and cooperation. Better conditions of work contribute to a large measure in reducing labour turnover in industries. Workers also like to work in a congenial group under a supervisor who is proficient, who has high standards, and who strives to help his men achieve the expected goals.

We may study working conditions in different industries under three heads, viz., physical environment, mechanical environment and the environment of the organisation.

Physical Environment Nature

The physical environment that includes temperature, air movement, humidity, illumination, sanitation, ventilation and hours of work and rotation of the shifts, must be such as to make the worker comfortable and contended while at work. No simple and all-inclusive statement can be made about these conditions as they may vary according to the nature of occupations and other factors.

Temperature

The temperature inside the factory should be maintained at a level necessarily required for the different processes and should not be such as to irritate or enervate workers. Ordinarily in the hot months when the nature of work requires considerable muscular activity, it is desirable to have temperature at a sufficiently lower degree than that required for the office work, as to add to the comforts of the worker. On the other hand during cold months, inside of the building is required to be adequately kept warm by a suitable air-conditioning plant must receive due attention of the management at the time of designing the plan layout.

Air Movement

Since air stagnation is held as one of the important contributing factors to fatigue and inefficiency, air-movement is one of the essential requirements to be provided for. There must be at all times a regular movement and supply of fresh air throughout the workshop in order to maintain a consistently proper temperature and degree of humidity. Speaking of air movement, the British Industrial Fatigue Research Board stated that (1) the air in a well-ventilated room should be cool rather than hot, (2) dry rather than damp, (3) diverse in its temperature in different parts rather uniform and monotonous and (4) moving rather than still.

Humidity

The management has to regulate humidity in accordance with the technical needs of the plants. Excessive humidity in workshop is nearly always deliberately introduced for technical reasons connected with the physical properties of the material being worked.

Illumination

It is bad lighting that leads to lower output, increased spoiled work, over-strain and ultimately to increasing accidents in industry. The size of each workroom or workshop, the location of windows, the layout of machines, nature of work to be performed, working position of the operatives -all these have to be taken into account for provision of adequate illumination in the establishment. The size of each workroom has also to see that lighting is not only sufficient, but also avoids the casting of extraneous shadows in actual place of work. No doubt, bad natural lighting is a difficult problem and is an important symptom of poor planning of plant layout. But, to a certain extent, problem may be solved by artificial lighting arrangements made by the management. Improvements in illumination do constitute one of the effective means promoting job satisfaction amongst workers.

Sanitation

Being another environmental factor promoting worker satisfaction, cleanliness has an important contribution to production. Self-respecting workers like neither dirt nor confussion. They prefer to return home after day's work in clean garments. Further, breathing in dirty atmosphere of the factory does cause severe injury to their health. It is, therefore, essential for the management to see that sanitation standards are well followed in all respects of work in the establishment at all levels.

Ventilation. , discomfort and fatigue are the experience of everyone who works in a badly ventilated room. It is proper ventilation in the workshop which rowers heat generated in body due to physical and mental activity because of the cooling power of air movement. Natural ventilation is affected by window and ventilators. It may also be artificial methods of extraction of air by fans or propulsion of air into the building by mechanical appliances.

The Factories Act, 1948 removes between seasonal and perennial factories by fixing hours of work for adult workers employed in a factory at 48 per week and 9 per day with the spread-over of 101/2 hours a day inclusive of rest-intervals. The-Chief Inspector of Factories of the State Government of as provided under the amended Act, of 1954, may, however, allow any factory, for a specified reason to grant rest-intervals to its employees after they have worked continuously for 6 hours. The Chief Inspector may also for reasons specified in writing increase the spread-over to twelve hours.

For a child and an adolescent who has not been granted a certificate of fitness to work as an adult, a 4 1/2 hours per day with a spread-over of 5 hour has been fixed. The State Government is obligated to see that the total number of hours of work in any day does exceed ten and the spread over. Inclusive of intervals for rest does not exceed twelve hours anyone day.

Although it is obligatory on the part of management to display and correctly maintain a notice of periods of work for adults showing clearly for every day periods during which adult workers may be required to work. The Act has also empowered the State Government to make exempting orders in respect of such workers employed in a factory, to such an extent and in such manner as it may think fit, and subject to such conditions as it may deem expedient ensure control over periods of work.

There are certain restrictions on employment of adult workers in general and female workers in particular. No adult worker is allowed to have double employment that is to say he is not allowed to work in any factory, save in such circumstances as may be prescribed. Woman workers cannot be granted any exemption from the provision of working not more than nine hours a day in a factory. Further no woman shall be employed in any factory except between the hours of 6 A.M. and 7 P.M. provided that the State Government, may, by notification in the official gazette, in respect of any class or description of factories, vary the limits laid down. No child is permitted to work in any factory for more than four and a half hours in any day and his employment in the night shift is not permissible. No adolescent who has not attained the age of 17 is likewise permitted to work in the night shift. Night has been defined as a period of twelve consecutive hours which shall include the internal falling between 10 P.M. and 6 P.M. in case of child and 10 P.M. and 7 P.M. in case of adolescent that is to say, person between 15 and 18 years of age. Like adult labour double employment for child labour is restricted.

"A Child who has completed his fourteenth year or an adolescent shall not be required or allowed to work in any factory unless.

(a) a certificate of fitness granted with reference to him under Sec-69 is in the custody of the manager of the factory, and

(b) Such child or adolescent carries while he is at work a token giving a reference to such certificate (Sec. 68).

The Act has provided for overtime work in a factory at the rate of twice the ordinary amount wages, which means the basic wage plus such allowances, including the cash equivalent of the advantage accruing the concessional sale of workers food grains and the other articles of hours of overtime shall not exceed fifty for any quarter.

The provision prohibiting overlapping shifts runs as follows: -

Work shall not be carried on in any factory by means of a system, of shifts so arranged that more than one relay of workers i.e., engaged in work of the same kind at the same time.

Among other things, the Factories Act, specifically incorporated provisions requiring (i) previous permission to establish or extend a factory (ii) submission of plans and specifications for securing such permission, and (iii) registration and licensing of factories and renewal of licenses. The impact of these provisions and specific provisions about various aspects of physical working conditions, as discussed above, has certainly been beneficial. An account of change in working conditions since the Rege Committee report has been given by the National Commission on Labour to substantiate the above statement.

The Managements in factories over the last two-decade, have committed many violations in the factory rules and regulations. On the absolute term, offences relating to employment and hours of work are many. The regulations relating to issue of notices, maintenance of registers and returns and issue of licenses have been fragrantly violated. Chapter 10 of the Factories Act, has stipulated.

1. Imprisonment for an employer, which may extend to three months or with a fine up to 500 or both.

2. If there is a previous conviction, there will be enhanced penalty or fine up to Rs. 1000.

3. If a Factory Inspector is abstructed from enercising his duty like inspection of the industrial premises, for bad maintenance of latrines, urinals, supply of water, fencing of machinery, maintenance of hoists and lifts and maintenance of any other common facility, imprisonment for 3 months or fine up to 500 will be levied.

Unions have sought reduction in existing hours of work from 48 a week to 40 a week, that is to say, a five day week with 8 hours of work per day. The reasons advanced in favour of such demand are that shortening of hours will improve health of workers and generate additional employment. Obviously, the demand is based on the practices prevalent in more advanced countries and on the ILO Recommendation No.116, which states that where normal weekly hours of work are either 48 or less measures for a progressive reduction of hours of work to 40 a week should be taken.

While making such recommendation, the ILO also cautioned that due regard should be paid to "the level of economic development attained and the extent to which the country is a position to bring about reduction in hours of work without reducing total production or productivity, endangering its economic growth, the development of new industries or its competitive position in the international trade, and without creating inflationary pressures which would ultimately reduce the real income of the workers and the need in the case of countries in the process of development.

The National Commission on Labour did not propose immediate reduction in working hours in view of the current requirements of the economy. But, it hastened to add that 'we would like it to be kept as a goal to be reached in two stages. In the first stage, the working hours should be brought down to 45 a week and in the second to 40 a week we hope that the economy will permit this phased reduction over the coming years. Working hours during the night shift should be reduced. Credit of ten minutes should be given for each hour of work in the night shift.

Shift System

The introduction of shift system in modern factories has become a common feature as it enables the management to have the maximum use of installed plants, machinery and building and also cope with temporary increase in the demand for their products. Shift work exists and grows for a variety of reasons. Some jobs require shift work by their very nature, for example, police work and continuous process industries like steel. It is inordinately expensive to start up and shut down. Other reasons are to make maximum use of capital investment in equipment and plant.

Generally, three types of shifts are worked in different industries. The single shift in which work is carried on during the day in ordinarily lasts from eight to ten hours, inclusive of the rest interval of half to one hour. Double shifts are worked one during the daytime and the other in night time, each ordinarily lasting for nine or ten hours continuously with certain interval. The third type is the multiple shift system where three shifts are worked and every shift runs for eight hours inclusive of rest period. These multiple shifts may be of varying duration and may overlap and as such are termed as "overlapping shift system". They have been allowed to work for even 13 1/2 hours continuous with constant changes in the groups of work. Such shift system is claimed to be justified on the ground of maintenance of continuity of different operation. The limitations and malpractices emerging from this overlapping shift system led the Royal Commission on Labour as well as the Labour Investigation Commission to disapprove of it, except under exceptional circumstances.

So far as night shifts are concerned, they are considered as a necessity in industries involving continuous processes. Their necessity as well as desirability have not been acclaimed generally in case shift, where introduced, is sporadically worked and, although it may lead to increased employment in the short period, it has an adverse effect on employment. It may, thus, draw workers to towns so long as it is worked and lead to employment with all its necessary evils when it comes to an end. In the long run, night shift is considered to have a deleterious effect on the worker's health as they find it very difficult to sleep during the day. The crowded conditions under which majority of worker's live prevent them from getting a long uninterrupted period of rest by day because of the noise made by other dwellers in the house. Besides, working by night and sleeping by day is a habit which often takes long time to acquire and production is lower all round. Though night shift enables the industry to cope with temporary increase in demand without additional outlay of fixed capital and also reduces overhead cost as well as total cost, it has admittedly an adverse effect on the quantity as well as quality of output. Due to higher absenteeism difficulty of enforcing effective supervision as well as natural fatigue that consequently follows, quality of production deteriorates in the nightshift.

Night work for women and children has been prohibited by the various Factories Acts, and it is a very desirable step, because women and children are physically unfit to work at unusual hours. Women in India are also exposed to great moral and social dangers if they are called to work at night. The health of children is also affected adversely by night work and they are liable to fall asleep at work during the night work for women and children.

For some jobs like public utilities, shift work is essential but there are others where it is required for the limited economic advantage of the employers. In these cases, the worker, the family and the community should receive greater consideration.

Spread-over

Another problem of considerable importance, in connection with the hours of work and the shift system is the question of spread-over; or the period within which daily maximum hours prescribed may be worked. It is evident that any undue extension of this period may seriously interfere with the night rest and recreation of all classes of workers and family life and the domestic duties of woman workers. Normally, the length of spread-over is equal to the maximum hours of work, plus the -prescribed breaks of an hour or half an hour but in some cases maximum hours are divided into two or more periods, separated by long intervals. In most industries the question of spread-over does not arise, for example in plantations, where except for the mid-day rest which is usually longer than in other industries, work is continuous until the tasks are completed though now in plantations also, by the Act of 1951, the spread-over has been fixed at 12 hours a day. On the other hand, the problem has been serious in the case of mines, specially in underground work, and the limitation of underground hours to 9 per day by the Mines Act in 1935 removed this evil of long spread over to a very great extent. However, this spread over was limited for the first time by the Factories Act of 1934, which fixed the number of consecutive hours at 13 for adults and 6 1/2 for children. The Factories Act of 1948, as pointed out, further limits the spread-over to 10.1/2 hours on any day, and even if exemption is granted to 12 hours a day; and this, we think, is quite a desirable limit. The shops and commercial establishments Acts in different also fixed the hours of spread-over.

PROMOTION

The successful promotion from within however, involves techniques and procedure that are somewhat complicated. A promotion system is a most valuable adjunct to any policy provided it can be worked out on a sound basis.

Merit and seniority are the two formal bases of promotion decision. Generally, personnel management prefers merit as determined by job performance and by analysis of employee potential for development. The performance appraisal is a complicated task that deserves separate treatment for different angles.

The oldest and simplest system of formal rating is to compare one man with all other men and place him in a simple rank order. Hence the man and his performance are considered as an entity and as such there is an attempt to racognise him or his performance. The ratter in such circumstance has to perform an impossible fact, as the analysis of one man's performance is not simple. Further, the task of ranking a group of individuals becomes difficult when there are twenty or thirty cases. Such absolute differences in ability between individuals are not taken into account. It is apparent that individuals ranked in one group cannot be compared with those ranked in another group.

Since it is easier to judge which of the two workers is superior than to arrange members of a large group of workers in order of excellence the method of paired comparison sometimes is used. Under this method, the ratter compares each main group with every other man. The final ranking of the workers is determined from the number of times each was judged better than others. The ratter has to make a number of judgments in accordance with the following formula:

Number of judgement = $\frac{n(n-1)}{2}$ where, n stands for the number of personnel to be compared

In case there are fifty personnel to be compared the number of judgement will come to $\frac{50(50-1)}{2}$ 1.225 since ranks are ordinal numbers, there involved in handling them are difficulties arithmetically and statistically. A number of rating scales have, therefore, been developed to direct the appraiser's attention to a specific characteristics of the worker and his work. Characteristics such as initiative, dependabilities, adaptability cooperation and leadership and contributions, such as quantity and quality of work are the crucial factors to be rated on the numerical, graphic and forced basis. The numerical method gives point values to these factors. It is usually presumed that the sum of the values gives the relative value of the rated employee.

Meaning of Promotion: It is the aspiration of most of the employees to qualify themselves for better jobs in the course of their working lives. The policy of promotion from within is the method adopted to meet these aspiration.

Pigors and Myers define the term 'promotion' as "the advancement of an employee to a better job". By better job is meant a job, which entails "greater responsibilities and more prestige or status, needs greater skills and brings increased rate to pay or salary".

It should be noted that for an employee a job can be better even if it has more favourable working hours better location or working hours better location or working conditions. Employees do seek their placement to better jobs in these terms as well. But, such placements cannot be called promotions. Only advancement of a present employee to a job which involves greater skill or responsibilities and higher pay is considered as promotion.

Thus, it will be seen that promotion is the way of recognising and developing the, abilities of present employees by filling the skilled and responsible positions from within rather than from outside.

Basis of Promotion

The policy of promotion has to face the problem of relative importance of seniority and competence of the employees in its execution. Seniority is the length of service put in by an employee in the working organisation.

Workers and their representatives would attach more importance to the seniority factor. Whereas managements would prefer competence of individual employees to be the main criterion for promotion.

It is argued that it is not necessary that an employee with the longest service (the senior most employee) is the most competent one. It is further emphasised that if eligibility of workers for better jobs depends just upon their length of service new employees will be left with no motivating factor for improvement in their performance. Therefore, when two or more aspirants for promotion, to the same post are being considered stress should be laid on competence, so that on each job the most competent and productive worker is put.

As against this argument the supporters of seniority as the sole basis of promotion argue that if seniority is not accepted as the basis for promotions, managements would abuse their privilege of selecting the best man. Personnel acquaintances, favour rather than the objective records of output or subjective results of systematic personnel appraisal would influence their decisions. No doubt if competence of the worker is to be the primary basis of selecting employees for higher positions, management must have the reliable and acceptable records of output and clearly understandable procedures of performance appraisal.

The best method for promotion could be a combination of competence and seniority as the determining factors in promotions. Competence of workers should be considered to be the most important factor, but along with competence seniority should be accepted as another important basis.

Essentials of a Sound Promotion Policy

1. The policy of the management to fill up higher paid and better jobs by promotion from within the organisation should be clearly stated and faithfully followed.

2. Internal mobility of personnel should be encouraged by motivating supervisors to relieve their capable employees for better opportunities in other departments or plants within the organisation.

3. Ladders of promotion within the organisation should be well defined. With the help of job analysis a chart should be developed which would show the basic job requirements and how one job leads to another higher-rated job.

4. Whenever openings for promotion are expected, these should be notified through posters, notice boards, etc., quite in advance. This will enable interested employers to apply within the specified period. Care should be taken to select a candidate before the job has actually fallen vacant.

5. Suitable training programme should be developed to prepare employees for promotion. Such programme may include special on the job training, provisions of vestibule schools, night classes or vocational course. Special retraining programmes to meet fully the job requirements due to fast scientific and technological changes are necessary to help employees to qualify themselves.

6. Making promotions should be the line responsibility. Advice and assistance of the personnel department in a staff capacity (advisory capacity) may be taken. The supervisor or foreman should propose promotion. This proposal should be considered and approved by his immediate supervisor in the line organisation.

7. Employees should have the right to appeal against any particular case of promotion.

8. In no case an employee should be forced to accept promotion.

TRANSFER

Transfer refers to horizontal movement of an employee with in the organisation. It may be defined as a change of job where the new job substantially equal to the old in terms of pay status and responsibilities. It may, have, sometimes occasional changes in pay and responsibilities.

While production transfers are effected to enable adjustment to varying volumes of work within the firm so as to improve staffing of the organisation to meet the changing demand, personnel transfers are caused to meet the requests or needs of the employees because of faulty selection, changing interests of the individuals, family considerations, injuries of the individuals, family considerations, illness and transportation difficulty.

Transfers are, thus either for the convenience of the management or for, the convenience of the employees. Both types of transfers may again, be either temporary or permanent. Temporary transfers for the convenience of the management arise due to shifts in the work-load, absenteeism and sanction of leave to the employees for certain period, permanent transfers, on the other hand, are caused by shifts in the work-load on account of permanent factors like technological development and vacancies requiring special skill ill health, accident, family considerations and like circumstances cause transfer of temporary as well as permanent nature for the convenience of the employees depending the period concerned.

The personnel management has to formulate a systematic policy and procedure to govern administration of all types of employee transfers. The policy governing transfers should consider first the interests of the organisation as a whole. It does not imply that requests for personnel transfer should not be entertained at all. The best course would be to have flexibility in such policy to permit some individual treatment of particular employee problems.

Thus, transfer, is the movement of an employee from one job to another. It involves the shifting of an employee from the job to another without special reference to change in responsibilities or compensation.

However, this difference between promotion and transfer should be treated as a broadly conceived idea only. Sometimes, transfers may (and often do) involve some changes in responsibilities and duties. Sometimes, they may involve changes in pay also. For example, in permanent personnel transfer, an employee normally receives the rate of pay on the job to which he is transferred. In case of production transfers rate of the earlier job, or that of the new job which ever is higher, is paid. On temporary transfers, employees may continue receiving their usual rate.

Need For Transfer

Transfers are an important source or internal recruiting. Often the most suitable candidate for an existing opening may be someone already working in one or the other department of the organisation. Transfer of such an employee to fill the job is preferred by many managers. Transfer is also used to place employees in positions where they may get greater job-satisfaction and contribute their best efforts to the organisation. Transfer is also helpful as a method to correct faulty selection and placement. If a newly hired employee, assigned to a certain job at the initial stage of placement is left there inspite of his desire for a change it may create resentment. This resentment may be expressed in terms of reduced work, formal complaints or increased rate of labour turnover. By transferring such an employee maladjustment problem can be solved.

Types of Transfers

According to the objectives in view transfers are classified into five types. They are:

1. Production Transfers,
2. Replacement transfers,
3. Versatility Transfers,
4. Shift Transfers and
5. Remedial Transfers.

Production Transfers. Sometimes a situation arises in which requirements of labour in some jobs are declining whereas in certain other jobs (in the same work organisation) vacancies have occurred for one or for the other reasons. In such a situation workers from the departments in which labour requirements are declining are transferred to the departments in which more workers are needed. Such transfers are known as *Production Transfers*.

This type of transfer is made to avoid lay-offs in one department at a time when new employees need be recruited for a similar type of work in another department.

Some times, production transfers may necessarily involve transfer to less skilled jobs. Such transfers may be similar to downgrading because they involve certain decrease in job duties and especially in pay. Such transfers are made mostly to protect employees from the loss of jobs together due to slackness in the high-rated job by providing relatively low-rated jobs, which need more hands.

With the rapid pace of technological changes affecting increasing number of jobs production transfers are assuming increasing importance.

Replacement Transfers:

The intention behind replacement transfers is the same as for production transfers i.e., to avoid lay-offs. But, in replacement transfers, an employee with longer service is transferred to a similar job, generally in another department where he replaces an employee with shorter service. Such a replacement is also known as bumping. Replacement transfers are used to retain the long-service employees as long as possible during a period when operations in all the departments are declining.

Versatility Transfers:

Versatility transfer is a tool in the hand of management to have a more versatile group of employees. In smaller workshops wherein there is not enough work to keep an operator busy for the whole day on any particular job, it is necessary that every operator is versatile in his skill so that he can be shifted from job to job to keep him busy for the whole day. Versatility transfers provide such flexibility in operation. For example, in a small gear plant a milling machine operator has to be an all-round machine man.

Versatile transfers may be used to prepare employees for production on replacement transfers as well. The necessity of such transfers will be increasingly felt as part of a continued retraining programme.

Shift Transfers:

Many firms work in more than one shift. Usually assignment of shifts rotates. But, in case of plants wherein shift-assignments are fixed. i.e., a worker is assigned a particular shift all the days, transfers may be made from one shift to another on the same type of work. Usually, such transfer changing assignments from second or third shifts (4 p.m. to 12.00 midnight or 12.00 midnight to 8.00 a.m. shifts) to the first shift (8.00 a.m. to 4.00 p.m. shifts). Generally an employee dislikes second shift assignment because this deprives his/her participation in the normal social life in the late afternoon or evening. Similarly, third shift assignment is disliked as it necessitates altogether different working and sleeping hours. Still there are others who may prefer second or third shift to the first for some reasons. For example, a married woman shall prefer second shift assignment if her husband is already working on the first shift or a earner-learner student shall desire a third shift assignment if he has to attend his college in the afternoon. These preferences of workers can be met effectively be shift transfers.

Remedial Transfers:

Such transfers are made to remedy (correct) a situation, which may arise out of one or more of the following reasons.

(i) Initial placement of the worker might have been faulty.

(ii) The worker might not be getting along happy with fellow workers or supervisors of the department.

(iii) He may be too old to continue on the present job.

(iv) Due to his present health or in view of his accident records he may not be considered fit for the present job or working conditions.

(v) In case of repetitive type of job, the worker may find a different kind of job refreshing.

One of the key principles of personnel management is that employees should be treated as individual. Remedial transfer offers an opportunity for management to put into practice this principle.

Elements of a Sound Transfer Policy

Transfer policy must ensure similar treatment to all employees throughout the working organisation. A sound transfer policy must be based on following elements:

(1) In case of production and replacement transfers operations in different department must be sufficiently similar.

(2) Responsibility for initiating approving transfer decisions should be clearly defined and properly located. Such decisions may originate from the first-line supervisor subject to the review and approval of the foreman on personnel department:

(3) Jobs to which transfers are contemplated should be clearly indicated with the help of job description and job analysis. The nature and depth of retraining needed to equip the worker transferred to the new job and the time to be allowed for satisfactory performance at the new job must be clearly determined.

(4) The area or unit within which transfers are to be made should be decided. Employees may be transferred from one division to another division or from one plant to another plant.

(5) It should be made clear if the seniority to the credit of the employee prior to his transfer will remain to his credit even after transfer.

(6) The basis for transfers should be properly chosen. This problem is of particular importance when more than one employee's request for transfer to the same job or same shift. It should be decided whether the basis for transfer in such cases will be seniority or competence or both.

(7) The rate of remuneration for the employee on the new job (to which he is transferred) must be decided.

Standing Orders: Satisfactory employment and working conditions are highly essential to develop and maintain a harmonious relationship between the employers and the employees. The standing orders refer to rules and regulations governing the condition of employment of workers. Their importance, as such in the prevention of industrial disputes in the country is very great. In the U.K. such terms and conditions of employment are laid down in joint voluntary agreements between the employer's association and the trade unions. In India, the absence of standing orders clearly defining the terms of work and service for the employees was found to be one of the most frequent causes of friction between labour and management in industrial undertakings and consequently the need for a separate legislation in this respect was emphasized by various labour conferences in the country.

The first legislative enactment in India which sought to establish standing orders was the Bombay Industrial Dispute Act of 1938, The various matters mentioned in the schedule were; (i) classification of employees; (ii) manner of notification to employees of periods and hours of work, holidays, pay days and wage rates; (iii) shift workings; (iv) attendance and late coming; (v) leave and holidays, and conditions, procedure and authority to grant these; (vi) liability to search an entry in premises by certain gates (vii) temporary stoppages of work and rights and liabilities of employers and employees arising there from; (viii) termination of employees and notice to be given by employer to the employee; (xi) suspension or dismissal for misconduct and the acts of redress against unfair treatment constitute misconduct; (x) means of redress for employee against unfair treatment or wrongful exaction on the part of employer or his agent or servant".

Though no such legislation existed in any other State until 1946, yet several mills in important centres made their own standing orders.

The Government of India enacted the Industrial Employments (Standing Orders) Act 946 with a view to regulating the worker employment in industrial undertakings. In order to widen the coverage of the Act, and amendment Act was passed in 1961, which empower the Central Government to extend it provision to industrial establishment employing less than 100 persons after giving them less than two months notice of its intention to bring in subsequent amendments as per requirements for necessary improvement from time to time.

The main provision of the Act relate to (i) procedure of submission of draft standing orders (ii) conditions for certification (iii) date of operation and display of these order (iv) procedure (or modifications) and (v) machinery for the implementation of the Act. Regarding the procedure of submission of draft standing orders the Act provides that the draft order (either by a single employer or group of employers) should be submitted within six months of the application of the Act. Such draft should be provided for every matter set out in the schedule to the Act. It should also be in conformity with the model standing orders wherever the same have been framed. The employer is also required to furnish information regarding the number of workers employed by him and their affiliation to the trade union, if any.

As regards the conditions for certification, the Act lays down that the standing orders should provide for all the matters specified in the Schedule to the Act and that they should also be in conformity with the provisions of the Act. The Certifying Officer / the Appellate Authority was empowered under the Industrial Disputes (Amendment and Miscellaneous provision) Act, 1956 to adjudicate upon the fairness or reasonableness of the provisions of any of standing orders. So far as display of standing order is concerned these are required to be prominently posted on a Special Board in English and in the language understood by the majority of workmen. The standing orders can be modified even after certification. No certified standing orders can, however, be modified before the expiry of six months from the date of its operation or last modification unless it is mutually agreed upon between the employer and his employees. The machinery for implementation of the Act consists, of the certifying officer and the appellate authority. The Labour Commissioner, where one is appointed, other wise an officer appointed for the purpose by the appropriate Government, has to discharge the functions of the Certifying Officer. As regards the application or interpretation of standing orders, the Act now provides that any employer or employee may refer the question to any of the Labour Courts constituted under the Industrial Disputes Act, 1947 to whom such powers have been given by the appropriate Government. Such Courts are required to give an opportunity to the parties concerned and give their decision, which will be final and binding on the parties. The number of establishment having certified Standing Orders in 1981 was 4,825 (as against 5,925 establishments required to certify them).

The administration of the Act is the responsibility of the Central Government only in so far as the undertaking in the Central sphere are concerned but in respect of undertakings falling in the State sphere, the administration of the Act is the responsibility of the State Governments.

Model Questions

1) What are the factors that govern working conditions?

2) List the essentials sound promotion policy?

3) What do you mean by 'transfer'. What are the types of transfer?

4) Enumerate the principles governing transfers.

5) Explain the various aspects of working conditions.

UNIT - 15

DISCIPLINE AND PUNISHMENT

Discipline

The term 'discipline" can be interpreted variously. In connotes a state of order in an organization. It also means compliance with the accepted order or proper appreciation of the hierarchical-superior-subordinate-relationship" It is sometimes understood as a sort of check or restraint on the liberty of an individual. It is a training, which rectifies, modifies, strengthens or improves individual behaviour. It is adherence to established norms and regulations. It corrects improper conduct and thus acts as a force leading to the observance of rules and regulations. It is essentially an attitude of the mind, a product of culture and environment and requires, along with legislative sanction, persuasion on a moral plane.

The concept of discipline emerges is a work situation from the interaction of manager and workers in an organization" Formal and informal rules and regulations govern the relationship between a manager and workers. The formal rules and regulations, including work-related behaviour rules, are codified in the company's manual or standing orders. Informal rules, on the other hand, are evolved from convention and culture in the organisation.

It is useful to categories basic concepts of discipline; one of them being negative while the other is a positive aspect of discipline. The negative approach to discipline is a traditional concept and is identified with ensuring that subordinates adhere strictly to the rules, and punishment is meted out in the event of indiscipline. In other words, for the violation of rules strict penalties are levied and the fear of punishment works as a deterrent in the mind of the employee. In organizations where the workers are unskilled and illiterate, it is easier to enforce this kind of discipline-since the attitude is one of obedience. This concept uses "fear" as a means to secure compliance to present norms.

With the growing awareness among workers regarding their rights, due to the increasing number of trade unions and education among workers, there is a tendency to reconsider the approach that was being used so far. After realising the limitations of strict discipline progressive managements, have started adopting and experimenting with the concept of positive discipline. This concept assumes a certain degree of self-discipline. Employees are expected to comply with the rules not from fear of recrimination but because they desire to cooperate in achieving the common goal of the organization. In the positive approach to discipline, willingness to comply is important. The emphasis is on a cooperative efforts to secure compliance to company norms. Behavioural scientists have also emphasised discipline in this sense and the view discipline as a self-control to meet organizational objectives. This approach helps in achieving both individual and organisational goals. It motivates employees to work with zeal and fulfill their needs. In other words, positive discipline calls for internalisation by the employee, of the objectives and expected norms of behaviour in an organization.

The term "indiscipline" can be described -as non-conformity to formal and informal rules and regulations. It is necessary to correct indiscipline in an organization as soon as it is observed because of its adverse influence on the morale and motivation of the employees as well as the organization. Indiscipline results in chaos, confusion and diffusion or results. It gives rise to strikes, "go-slow", absenteeism, leading to loss of production, profits and wages.

It is interesting to examine the factors leading to indiscipline. Basically, indiscipline may arise due to poor management, errors of judgement by employees about their union leaders or a lack of understanding of management policy. These problems could also arise if an individual behaves in a manner, which results in indiscipline, perhaps out of habit or as a reaction to personal problems or as an outcome of the management's non-response to his grievance. Indiscipline may also arise due to a lack of commitment to work, by employees in an organization. In general, various factors, such as, unfair labour practices, victimisation by management, wage differentials, wrong work assignment, defective grievance procedure, payment of very low wages (giving rise to poverty, frustration and indebtedness), poor communication, ineffective leadership, result in indiscipline. Thus, various socio economic and cultural factors play a role in creating indiscipline in an organization.

There is no hard and fast rule to deal with indiscipline. The positive approach described earlier calls for self-discipline and assumes that most employees generally behave responsibly. Counseling and employee are added means that can be effectively and positively used to check indiscipline. If the management also adopts strategies like job-enrichment to develop commitment to work, sets up effective grievance handling machinery, evolves proper induction and training programmes for new entrants and develops a system which provides sufficient scope and opportunity to develop employee potential, it would leave very little room or the growth of grievances which could lead to indiscipline. The essential pre-requisites for using this approach to manage indiscipline are:

1. reasonable, legitimate and clear rules and regulations.
2. workers should be involved in framing rules and regulations so that they willingly accept the rules.
3. prior notice of the consequences of breaking rules,
4. consistency and uniformity of punishment
5. respect for the human personality
6. management personnel should set high standards.

Approaches to deal with Indiscipline

Indiscipline could be dealt with using formal and informal systems, through which it is corrected. In case an informal system is being used, either a transfer, an informal warning, or a non-hierarchical but status demotion are the remedies to correct indiscipline. Managements in order to avoid the legal complexities of the formal system, resort to informal systems. The informal approach is undesirable and creates bitterness and has adverse effects on employee morale and motivation. In the case of the formal system it mainly refers to adherence to the judicial approach.

1. Judicial Approach:

It is commonly followed in India. Various kinds of misconduct are listed in the standing orders and penalties are also mentioned. The decisions of the Supreme Court various cases also serve as, guidelines. This approach is elaborated upon subsequently.

2. Human Relations Approach:

It calls for treating an employee as human being and considers the totality of his personality and behaviour while correcting faults that contribute to indiscipline. His total personality is considered, as is his interaction with his colleagues, his family background, etc. and then appropriate punishment for misconduct is awarded.

3. Human Resources Approach:

This approach calls for treating every employee as a resource and an asset to the organisation. Before punishing the worker, the cause for indiscipline has to be ascertained. An analysis of the cause is made, to find out whether indiscipline is due to the failure of his training and motivating system or the individual's own failure to meet the requirements, and accordingly corrections are made.

4. Group Discipline Approach:

The management in this approach sets and conveys well established norms and tries to involve groups of employees. The group as a whole controls indiscipline and awards appropriate punishments. The trade union may also act as a disciplinary agency.

5. Leadership Approach:

In this case, every supervisor or manager has to guide, control, train, develop, lead a group and administer the rules for discipline.

Discipline may be of two types: Positive and negative. Positive discipline or self-discipline is the best discipline. This refers to an organisational atmosphere in which subordinates willingly abide by rules which they consider fair. The techniques followed by the management to achieve this type of discipline include positive motivational activities such as praise, participation and incentive pay. Negative or punitive discipline is one in which management has to exert pressure or hold out threat by imposing penalties on wrong doers. When this pressure becomes increasingly severe each time a man is disciplined, it is called progressive or corrective discipline.

Judicial Approach to Discipline

The present-day manager has to handle a variety of disciplinary issues. His right to hire and dismiss is curbed to a great extent, especially where unionised especially where unionised employees are concerned. The complexity in increasing in this arbitrary managerial function due to intervention by the government, by providing legislation for governing terms of employment. The need for legislation arose as India is faced with a chronic problem of unemployment and illiteracy among industrial labour. In order to ensure security of jobs, the government has tried to assure protection to industrial labour from likely misuse of managerial power to hire and fire.

Arguments against Punitive Discipline:

Many people argue that punishment should be avoided as a means of trying to influence behaviour. Their objections are as follows:

a. For punishment to be at all effective, there must be continued monitoring or surveillance, which is very wasteful use of high-priced managerial time.

b. Punishment never really extinguishes or eliminates undesirable response tendencies, but only temporarily suppresses them. These tendencies reappear with full force when the threat of punishment is removed.

c. Punishment has undesirable side effects. It may cause resentment and hostility towards the punisher with motive of trying to "get even" later through sabotage, output restriction or doing things that make the punisher "look bad" or cause him inconvenience. The fear associated with the punishing agent may lead the punished person to avoid his very presence; this, in turn, makes it more difficult for the manager to play the desired role of coach teacher, or counsellor. On the reaction to punishment may be more extreme, resulting in generalised inhibition and rigidity or stereotyped behaviour in the punished person; this can make it more difficult for the person to learn new behaviour, including very desirable behaviour or to adjust to change.

Alternatives to Punishment

Alternatives to punishment in eliminating undersired behaviour include following.

a) Extinction:

Find out what reinforces the undesired behaviour. For example, the unruly subordinate may be getting praise and recognition from peers. Then get those peers to co-operate with you by ignoring the unruly behaviour. When such behaviour is not reinforced it will eventually lose.

b) Environment Engineering:

Rearrange the features of the environment so that the stimulus situation does not evoke the undesired response but some other response. Skinner (1953) tells the story of a manager who had a traffic problem caused by women hurrying down the corridor as soon as the end of the workday was signaled. The manager solved his problem by placing wall mirrors along the corridor. The stimulus situation that had evoked stampeding down the hallway was transformed into one, which encouraged a more leisurely and orderly walk-and-stop sequence.

c) Reward:

Rewarding either desirable or natural behaviour, which is physically incompatible with the undesired behaviour.

d) Adjustment:

Allow adjustment, development. or maturation to take its course. New or inexperienced employees make many mistakes and do many wrong things that they will learn to avoid given, a reasonable period of adjustment: Punishment may not hasten this process, and if it causes undue anxiety, it can actually retard this process.

Essentials of a Good Disciplinary System

While punitive discipline or punishment may sometimes be ineffective in changing behaviour or may produce unwanted by products. there is nevertheless considerable evidence that punishment can be an effective tool under certain conditions. These are as under:

1. Knowledge of Rules:

The employee must be informed clearly about what constitutes good behaviour and the rewards that may emanate from it. All instructions should be clear and understandable. It is common sense that an employee will obey an instruction more readily if he understands it.

2. Prompt Action:

All violations and misconducts –big and small -should be promptly enquired into. This is called the "law of effect". The greater the delay the more one forgets and the more one feels that punishment is not deserved.

3. Fair Action:

Promptness of disciplinary action at the cost of its fairness is not proper. An action in order to be fair must possess the following characteristics:

a. All violations -big and small -should be duly punished. A violation should not be overlooked or condoned merely because it is small otherwise this will give an impression that announced rules are meaningless.

b. All individuals -big and small -should receive equal punishment for equal indiscipline. If a rule is applied to one individual but not to another, the management is bound to be accused of favoritism.

c. Discipline should be uniformly enforced at all times. If management soft-pedals on taking a disciplinary action when there is shortage of labour and toughens its policy when labour is plentiful it is acting arbitrarily. Inconsistent behaviour of management leads to uncertainty in the minds of subordinates. They simplv do not know where they stand.

d. The employees should always be given an opportunity to explain his action. The common law principle that an offender is innocent until he is proved guilty beyond doubt should be followed. The burden of proving the violation always lies on the management.

4. Well Defined Procedure:

The procedure to be followed to reach to a penalty decision should be carefully laid down. It should include the following steps:

a. The supervisor must assure himself that some violation of the rules has taken place.

b. He should state precisely and objectively the nature of the alleged violation.

c. He should then proceed to gather full facts about the case and maintain proper records. Facts will have to be gathered concerning the nature of the event, the participants and the surrounding circumstances, etc. Fact gathering is often a process of is often a process of fact-sifting. Opinions should not be mistakes for facts. The methods used for gathering the fact must not smack of spying and statements should not be prejudged.

d. After all the facts have been gathered, thought should be given to the various types of disciplinary action which can be taken in the case in question. It is advisable to prepare three separate lists of actions. The first list should include all types of disciplinary action to make certain that no possibility is overlooked. The second list should classify penalties according to rank in order to acquaint the executive with those actions which lie within his command and those for which he should refer the case to his superiors. The third list should include only those penalties, which the offence in question specifically calls for.

e. The appropriateness of a disciplinary action should be decided in terms of its effectiveness in correcting the employee. This is very important because the purpose of a disciplinary action is to mend an employee and not to punish him, to help him and not to harm him.

f. The accused employee should have the right to appeal to higher authorities.

5. Constructive Handling of Disciplinary Action:

Disciplinary action should be handled in a constructive manner. It should be carried out by the immediate line supervisor. This is necessary to preserve the supervisor's authority and status. The employee should be told not only the reasons for the action taken against him but also how he can avoid such penalties in future. Disciplinary action should be taken in private. By exposing an employee to public ridicule the supervisor attacks his dignity and social standing. This may produce an opposite effect on the employee. He may react violent It or may become obstinate to preserve his ego.

It is most unwise for a supervisor to take a general disciplinary against a group of subordinates. Disciplinary action is a matter for the individual. It is the individual who should be held responsible for any wrong. A management which takes disciplinary action against a group is likely to set off a wave of unrest associated with falling morale and even the possibility of a wild cat strike.

After the disciplinary action has been taken the supervisor must assume a normal attitude towards the employee. He should revert to his role of a helping hand- as if nothing has happened. This is possible only when the supervisor uses an impersonal approach in administering a penalty. He should not engage in personal ridicule, insult or even criticism. He should avoid getting into an argument. In short, he must play the role of a judge enforcing the law with impartiality.

Hot-Stove Rule

This rule, so called by Douglas McGregor, draws an analogy between touching a hot stove and undergoing discipline. When a person touches a hot stove:

1. The burn is immediate.
2. He had warning. Every one who touches a red-hot stove would be burnt.
3. The effect is consistent. Every one who touches a red-hot stove would be burnt.
4. The effect is impersonal. A person is burnt not because of who he is but because he touched the hot stove.

The same should be with discipline. The disciplinary process should begin immediately after the violation is noticed. It must give a clear warning that so much penalty would be imposed for a given offence. The same kind of punishment should be consistently imposed for the same offence. Punishment should be imposed regardless of status difference. In other words, it should be impersonal in application.

Kinds of Punishment

As a normal rule, punishment should be commensurate with the gravity of the offence. An employer found guilty of an act of minor mis-conduct like unpunctuality or irregular attendance cannot be awarded the same punishment as may justifiably be warded to an employee found guilty of an act of major misconduct like the theft of employer's property. For various types of misconduct there are punishments, which are set out, below in the ascending order of their severity.

Minor Punishments	1. Oral reprimand
	2. Written reprimand
	3. Loss of privileges
	4. Fines
	5. Punitive suspension
Major Punishments	6. Withholding of increments
	7. Demotion
	8. Discharge
	9. Dismissal

1. Oral Reprimand:

This is the mildest form of disciplinary action in which the: superior makes it clear to his subordinate that he does not approve of the subordinate's behaviour: This punishment is generally given for some minor offences such as failure to obey safety rules, smoking in a prohibited area, sleeping on the job or giving sub-standard performance.

Issue of reprimand does not involve loss of status or wages to the employee and, therefore though it amounts to disciplinary action it is not deemed to be a substantive punishment

2. Written Reprimand:

An oral reprimand may not be sufficient in case of habitual misconduct or inefficiency. In such a situation it is desirable that it is issued in writing and brought on record so that it may support, if necessary, any substantive punishment that may have to be given to the employee in future.

A warning serves to alter the expectations of an individual by making him aware of the exact nature of punishment that awaits him following further acts of disobedience. It is not fair for a superior to warn a subordinate and later punish him more severely than was expected at the time of the warning.

3. Loss of Privileges:

For such offences as tardiness or leaving work without permission, the employee may be put to loss of various privileges such as good job assignments, right to select machine or other equipment and freedom of movement about the work place or company.

4. Fines:

Fine means a deduction from the remuneration of the employee by way of punishment. Power to make penal deductions from the remuneration of the employee is not an implied term of ordinary contract between master and servant and such can be exercised only if especially reserved to the employer under the contract of employment.

5. Punitive Suspension:

Punitive suspension is different from the suspension pending an enquiry. Punitive suspensive in inflicted on the workman as a punishment for some misconduct whereas suspension pending an enquiry is only an expedient action, which a manager may find necessary to take following commission of a grave and serious misconduct. Under punitive suspension an employee is prohibited from performing the duties assigned to him and his wages are withheld for so long as the prohibition exits.

6. Withholding of Increments:

Withholding of annual increment of an employee in a graded scale is a major punishment and generally speaking, the acts of misconduct for which this punishment may be awarded are the same as those for which the extreme punishment of dismissal may be awarded.

7. Demotion:

Demotion means reduction of an employee to a lower grade from the one hitherto enjoyed by him. Demotion should be used only in a case where an employee does not meet present job requirement or in the event of a cutback in the work force.

8. Discharge:

In the case of discharge simplicities the employer is not bound to hold and enquiry.

9. Dismissal:

Also referred to an industrial capital punishment, dismissal is the ultimate penalty, which is rarely resorted to nowadays. Though discharge and dismissal both have the same result, namely, the termination of service of the employee, there are some vital differences between the two. These are as follow:

a. While dismissal is always a punishment, discharge may or may not be a punishment.

b. A dismissal is a more severe punishment than discharge. There is a stigma attached to the expression 'dismissal' which makes dismissal a disqualification for future employment. This is not so in the case of discharge.

c. A dismissal is usually summary that is, immediate action is taken to terminate the employment contract of the employee without notice. But, in case of a discharge an agreed amount of notice may have to be given. The justification for not giving a warning lies in the general acceptance that the acts and omissions for which the punishment of dismissal may be inflicted are socially repugnant and a management is fully entitled to protect itself against such acts.

d. In cases of dismissal the employee is not usually entitled to provident fund or gratuity benefits but this is not so in the case of a discharge.

The supreme punishment of dismissal is inflicted very rarely. They very often follow several other means of eliminating a person without an outright dismissal. These are as follows:

a. The flow of work may be altered so that it goes around the particular employee; thus he may take hint and submit his resignation.

b. The job may be abolished and duties scattered about among other employees; then after the employee has left the organisation, the duties can be reassembled and a new employee hired to fill the job.

c. Resignation may be demanded by holding out threat of discharge.

d. In higher positions, the employee may be 'kicked upstairs' and promoted out of the way and made a special consultant and never consulted. The cost of his salary may be much less than the loss from retention in his present job.

e. The employee may be transferred to some other department.

Termination: The service of an employee can be terminated by way. of ;

-discharge,

-discharge simpliciter,

-dismissal.

Of these forms of punishment, dismissal is the extreme form, and is usually awarded only when it becomes incompatible to continue employer-employee relations. It is also awarded in cases of willful insubordination, riotous or disorderly behaviour, theft, etc. "Discharge amounts to termination of service by giving agreed notice or payment and acceptance of money in lieu of such notice".

Discharge simpliciter means the termination of an employee's services for loss of confidence and does not necessarily imply any act of misconduct.

The stigma attached to the expression "dismissal" is much more than that in the expression "discharge". In the case of a simple discharge, termination benefits are given to an employee, while a dismissed employee loses all of them. In case of dismissal, future employment is also affected.

In India, as there is chronic unemployment and labour is available in abundance, termination is usually challenge-prone. Aware of labour's weak position, the government has tried to safeguard its interests by allowing an employee to go to the courts to challenge the award of punishment. The gravity of misconduct is then determined by considering his past record and examining documentation regarding employee performance. The courts also insist on payment of a month's compensation. The concept of simple termination or loss of confidence is to be seen in the job context. it would have greater relevance given the nature of a job.

As termination due to loss of confidence is a sensitive area the courts are generally cautious in such cases and make sure that there is no possibility of victimization. Dismissal for reasons of loss of confidence is subjective and therefore it is necessary to determine its bonafide, so that, no stigma is attached to the concerned workman. As far as possible, the management should have a tangible basis for dismissal. When their is a clear-cut case of misconduct, dismissal can be awarded by holding a proper enquiry, but that should also be awarded by taking into account the character of a workman who is guilty of misconduct.

Intervention by a Tribunal

Only under the following circumstances can the tribunal exercise the right to consider the case:

- when there is of good faith;
- when there is victimization or unfair labour practices are used;
- when management has been guilty of a basic error or violation of a principle of natural justice; and
- when the findings are baseless and perverse.

In those cases where a workman's services are terminate as a result of a proper domestic enquiry which does not violate the above mentioned conditions laid down by the Supreme Court in the case of Indian Iron and Steel Company Ltd., the tribunal cannot consider the propriety or the correctness of the decision of the management.

Malafide, Victimisation or Unfair Labour Practice

All three terms have very similar meanings and are sometimes used interchangeably. In cases where a charge sheet is issued and an enquiry follows and dismissal is awarded, the question of bonofides can be raised and the tribunal has the power to consider whether the dismissal was with a certain motive or not. This can be determined from the facts of the case. What is looked for is whether the management has harassed an employee or not.

A workman can be considered to be victimised, when;
- he is innocent but has somehow displeased the employer;
-the punishment awarded is quite out of proportion to the gravity of the offence committed.

Basic Error of Facts

If the findings of the enquiry are based on extraneous evidence, or if a workman is punished for a charge other than mentioned in the charge sheet, the management will be guilty of committing a basic error of fact. In the case of Indian Marine Services Pvt. Ltd. Vs. their workmen, workman was charge-sheeted for insubordination. A domestic enquiry was held and charges were proved. An order for dismissal was passed and also other charges which were not enquired into were recited. The order also recited that the past record of service of the concerned workman went against him.

The industrial tribunal dealing with the dispute considered the evidence adduced before it and held that the charge for insubordination was not made out and directed the reinstatement of the workman. In the appeal, it was held that after reading the order of dismissal it was clear that the decision of the employer to dismiss the workman was based only on the charge of insubordination. Till fact of a bad record was mentioned to give weightage to the order of dismissal. Hence the dismissal was justified and the order of reinstatement was set aside.

Perverse Findings

If the enquiry officer records perverse findings then. the enquiry stands vitiated. Generally; this happens when the findings are not supported by evidence as recorded in the proceedings of enquiry or a conclusion cannot be arrived at from the records of the domestic enquiry.

The tribunal has the power with in its jurisdiction to: (i) concur with the decision of management or (ii) disagree and substitute (a) reinstatement with full back wages or (b) reinstatement with part wages or (c) reinstatement without wages or with suspension within or beyond the place of standing orders or withholding of increment or any other punishment other than the extreme one of termination of service; or (iii) award compensation in lieu of reinstatement on the ground that the employer has lost confidence in the charge-sheeted employee.

Indian Law on Punishment

Indian law on punishment is contained in:

-The Industrial Employment (Standing orders) Act, 1946;

-Section 8 of the Payment of Wages Act, 1936; and

-Section 11-A and Section 33 of the Industrial Act, 1947

Prior to the passing of the Industrial Act, conditions of employment obtaining in industrial establishments were governed by contracts between the employer and their employees. In many cases these conditions were not well defined and were ambiguous. There was no uniform practice governing the conditions of service of workers. Lack of clearly defined terms of employment was one of the most common causes of friction and disputes between employers and workers. Employers were free to arbitrarily alter the terms and conditions of employment at their own will. There was nothing in the law to prevent employer from having different contracts of employment with workers leading to discriminatory treatment.

The question of framing standing order was considered by the Sixth Indian Labour Conference in 1944. The conference suggested the enactment of law or regulate the terms and conditions of employment to fill an important lacuna in labour legislation in India. As a result, the Industrial Employment (Standing Orders)" Act was passed in 1946. It came into force on April 23, 1946. The Act has been amended in 1948, 1951, 1956, 1961, 1963 and 1982.

Industrial Employment (Standing Orders) Act, 1946

In order to improve the industrial relations climate and standardise conditions of employment, including the procedures for disciplinary action, the Industrial Employment (Standing Orders) Act was passed in 1946. This Act extends to the whole of India and is applicable to industrial establishments employing 100 or more workmen on any day of the preceding 12 months. Both the Central and State governments have power to apply this Act to any establishment employing even less than 100 workmen and exempt conditionally or unconditionally any establishment from all provisions of the Act. The Act is a central legislation but is administered the State Government in their respective spheres.

This Act necessitates the establishment to define its service rules and prepare standing orders which should be clarified by the certifying officer appointed under the Act within he specified time limit and in the specified manner. Certification, modification and operation of the standing orders is also specified in the Act, and a penalty is levied if the set procedure is not followed. In the absence: of its own standing orders, the establishment has to follow model standing order. It is the duty of the employer not only for certify standing orders but make it known to the workmen and there by it is obligatory on the part of workmen to comply with the provisions of the standing orders.

Objectives: The object of the Act is "to require employers in industrial establishments to define with sufficient precision the conditions of employment under them and to make the said conditions known to workmen employed by them".

The reasons for the enactment of the Act were expressed as follows:

Experience has shown that “standing orders' defining the conditions of recruitment; discharge, disciplinary action, holidays leave, etc., go a long way towards minimising friction between the management and the workers in industrial undertaking".

Standing Orders after certification under the Act became part of the statutory terms and conditions of service and they govern the relationship between employer and employees.

Thus, the aims of the Act are as follows:

1. To define precisely the terms and conditions of employment and to communicate them to the workmen in the industrial establishments.
2. To bring about uniformity in the terms and conditions of employment in all industrial establishments to which the Act applies.
3. To regulate standards of conduct of the employers and to establish a basis for harmonious labour management relations.
4. To ensure satisfactory employment conditions and to maintain proper discipline necessary for high productivity:
5. To specify the duties and responsibilities of both the employers and the employees.
6. To provide for redressal of grievances arising out of employment or unfair treatment by employers.
7. To provide statutory significance to the standing orders.

Once the Act becomes applicable to an industrial establishment it does not cease to apply due to fall in the number of workmen in that establishment below one hundred.

The Act does not apply to:

1. Any industry to which the provisions of Chapter VII of the Bombay Industrial Relations Act. 1946, apply;
2. Any industrial establishment to which the provisions of the Madhya Pradesh Industrial Employment (Standing Orders) Act, 1961 apply.
3. Any industrial establishment in so far as the workmen employed therein are persons to whom, the following rules apply;
    a. The Fundamental and Supplementary Rules;
    b. The Civil Services (Classification, Control and Appeal) Rules;
    c. The Civil Services (Temporary Service) Rules:

d. The Revised Leave Rules;

e. The Civil Service Regulations

f. The Civilians in Defence Service (Classification, Control and Appeal) Rules;

g. The Indian Railway Establishment Code; or

h. Any other rules or regulations that may be notified in this behalf by the appropriate Government in the official Gazette.

THE SCHEDULE

[Sec. 2(9) and 3 (2)]

Matters to be provided in Standing Orders

1. Classification of workmen, e.g. whether permanent, temporary, apprentices, probationers or badlis.

2. Manner of intimating to workmen periods and hours of work, holidays, paydays and wage rules.

3. Shift working.

4. Attendance and late coming.

5. Conditions of procedure in applying for, and the authority, which may grant leave and holidays.

6. Requirement to enter premises by certain gates, and liability to search.

7. Closing and reopening of sections of the industrial establishment, temporary stoppages of work and the rights and liabilities of the employer and workmen arising therefore.

8. Termination of employment, and the notice there of to be given by employer and workmen.

9. Suspension or dismissal for misconduct and acts or omissions which contribute to misconduct

10. Means of redress for workmen against unfair treatment or wrongful exactions by the employer or his agents or servants.

11. Any other matter, which may be prescribed.

Workmen [Sec. 2(i)]: 'Workmen' means any person (including an apprentice) employed in any industrial employment to any skilled or unskilled, manual, supervisory, technical or clerical work for hire or reward, whether the terms of employment be expressed or implied, but does not include any such person;

(i) Who is employed to Army Act, 1950 or the Air Force Act, 1950, or the Navy Act, 1957;

(ii) Who is employed in the police service or as an officer or other employee of a person; or

(iii) Who is employed mainly in a managerial or administrative capacity; or

(iv) Who being employed in a supervisory capacity, draws wages exceeding Rs.1600 per month; or

(v) Who exercises, either by the nature of the duties attached to the office or by reason of powers vested in him, functions mainly of a managerial nature.

Duration of Standing Orders (Sec 10)

Standing Orders finally certified under this Act, shall not, except on agreement between the employer and the workmen or a trade union or other representative body of workmen, be liable to modification until the expiry of six months from the date on which the standing orders or the last modifications thereof came in to operation.

Modification of Standing Orders (Sec. 11)

1. As employer or workmen or a trade union or other representative body of workmen may apply to the certifying officer to have the standing orders modified.
2. Such an application shall be accompanied by five copies of the modifications proposed to be made.

3. Where modifications are proposed to be made by agreement between the employer and the workmen or a trade union or other representative body of workmen, a certified copy of that agreement shall be filed along with the application.

4. The foregoing provisions of this Act shall apply in respect of an application as they apply to the certification of the first standing orders.

5. Nothing shall apply to an industrial establishment in respect of which the appropriate government is the government of the State of Gujarat or the government of the State of Maharashtra.

6. Once a standing order is modified and the modification is certified, further modifications are, not prohibited.

7. Where a modification in the standing order has been agreed upon between the employer and the workmen, the certifying officer is not bound to accept the changes if there are not in conformity with the prescribed model standing orders.

8. The provisions regarding modifications do no bar the reference of dispute as to revision or modification of the standing orders for adjudication.

9. An application for modification of standing orders may ordinarily be made when:

   a. there is a change of circumstances,
   b. the standing orders have resulted in inconvenience, hardship or anomaly.
   c. some fact was overlooked at the time of certification.
   d. the applicant feels that a modification will be beneficial.

APPEALS (Sec. 6)

Any employer, workman, trade union or other prescribed representatives of the workmen aggrieved by the order of the certifying officer may within thirty days from the date on which copies are sent under Se.5 appeal to the appellate authority. The appellate authority shall by order in writing confirm the standing orders either in the form certified by the certifying officer or after amending the said standing orders by making such modifications thereof or additions thereto as it thinks necessary to render the standing orders certifiable under this Act. The decision of the appellate authority shall be final.

Section 6(1) empowers the appellate authority to

(i) confirm the standing orders in the form certified by the certifying officer; or

(ii) confirm the standing orders after amending them by making necessary modifications or additions.

The appellate authority shall, within seven days of its order, send copies thereof to the certifying officer, to the employer and to the trade union or other prescribed representative of the workmen. The order shall be accompanied by copies of the standing orders as certified by it and authenticated in the prescribed manner.

Payment of Subsistence Allowance (Sec. 10-A)

Sec 1 O-A provides for payment by an employer to a workman who has been suspended pending investigation or inquiry into complaints or charges of misconduct against the workman. The subsistence shall be payable:

a. at the rate of 50 per cent of the wages which the workman was entitled to immediately preceding the date of such suspension, for the first 90 days of suspension; and

b. at the rate of 75% of such wages for the remaining period of suspension if the delay in the completion of disciplinary proceedings against such workman is not directly attributable to the conduct of workman.

In case of any dispute regarding the subsistence allowance payable to a workman, the workman or the employer concerned may refer the dispute to the Labour Court constituted under the Industrial Disputes Act, 1947, within the local limits of whose jurisdiction the industrial establishment wherein such workman is employed is situated. The Labour Court to which the dispute is so referred shall, after giving the parties an opportunity of being heard, decide the dispute and such decision shall be final and binding on parties.

Where provisions relating to payment of subsistence allowance under any other law for the time being in force in any State are more beneficial than the provisions of this section, the provisions of such other law shall be applicable to the payment of subsistence allowance in that state.

Model Standing Orders

The Central and State Governments have framed their own rules on the above listed matters. These are known as Model Orders and are contained in Schedules to the Industrial Employment (Standing Orders) Rules of these governments. Once the Act becomes applicable to an industrial establishment, the Model Standing Orders framed by the appropriate government become immediately applicable to the establishment and they continue to remain applicable till the Standing Orders framed by the establishment itself are certified and brought into force according to the Act.

Model standing orders contain various provisions which relate to the following areas:

1. Classification of workmen into permanent, probationers, 'badlis', temporary, casual and apprentices and the meaning of each.
2. Rules for publication of working time, holidays and days, wage rates, shift working, etc.
3. Notices of change in shift working.
4. Provisions regarding attendance and late coming.
5. Provisions for leave and various types of leave.
6. Provisions for payment of wages.
7. Provision for stoppage of work.
8. Termination for a certificate on termination of service.
9. Provision for a certificate on termination of service.
10. Disciplinary action for misconduct; Model standing orders specify certain acts as misconduct like wilful insubordination or disobedience to any lawful and reasonable order of the superior, theft; fraud, or dishonesty in connection with the exhaustive forms of punishment like discharge, dismissal, etc. are also specified.
11. Liability of manager.
12. Provision for exhibition of standing orders.

Mod : standing orders specify the terms and conditions, which govern day-to-day employer-employee relationship, infringement of which could results in a charge of misconduct.

The standing orders provide the management with a basis for taking disciplinary action against employee in an organisation. This is necessary if the enterprise is to function at all. The Act defines the term misconduct and examples are provided in the model standing orders. In very general terms, an action or type of behaviour can be defined as misconduct if it is prejudicial to the interest of the employer and other employees, inconsistent and incompatible with the norms set for discharging duties, unsafe, undesirable or unfaithful amounting to insubordination to such a degree that it becomes incompatible to continue employer-employee relationships.

The standing orders specify acts of misconduct in a wide perspective -in other words, they are only indicative and as such it does not follow that what is not embodied in the standing orders is not misconduct. For instance, there was the case of Mr. Sambandam, a cashier in a Bank in Madurai who took leave on false grounds. It would be considered an act of misconduct even if it were not listed in the service rules.

Some measures though appearing in the standing orders or service rules can cause confusion due to a variety of interpretations by personnel in the organization. One such example is the concept of disobedience of a lawful order of the superior.

The employer has the right to take disciplinary action a employee for misconduct but according to the principles of natural justice the employee should be given an opportunity to present his case. Therefore, a domestic enquiry should be held before punishment is awarded. Mr. Justice Wanchu of the Supreme Court held in the Kesoram Cotton Mills Case of 1961; "the purpose of the rules of natural justice is to safeguard the position of the person against whom an enquiry, is being conducted so that he is able to meet the charge laid against him properly. Thus, no man shall be condemned unheard and be the judge in his own cause. This is the essence of the principle of natural justice. This principle ensures that; (i) the workman charged should be given an opportunity to present witness of his choice on whom he relies;(ii) he has a right to cross-examine the management's evidence, (iii) the evidence of the management should be taken in his presence; (iv) no material should be used against him without giving him an opportunity to explain; (v) the enquiry against the employee should be fair and conducted by an impartial person; and (vi) the punishment awarded should not be out of proportion to the misconduct committed.

The basic issue that a tribunal or a labour court will seek to establish when a case is being adjudicated by it, is whether a proper domestic enquiry was held and whether the principle of natural justice was observed. Two other criteria are to be fulfilled-whether there was lack of bias or not in the enquiry proceedings and whether the other party was heard in 'good faith'. The preliminary issue is to determine the validity of a domestic enquiry. If no enquiry or a defective invalid enquiry on its own, with both the parties being allowed to produce witnesses and adduce evidence. This amounts to a fresh enquiry in the labour court.

There is as yet no statute as regards the procedure to be followed in conducting a disciplinary enquiry. However, in case law has been developed by the various courts such as the Supreme Court, the high courts, labour courts and industrial tribunals in India, and their various awards have indicated a detailed procedure for taking-disciplinary action and made it compulsory to hold a domestic enquiry before the worker is punished for misconduct thereby following the principle of natural justice. The detailed steps which could be followed in a domestic enquiry are given in Appendix given at the end of this chapter.

Miscoduct

No punishment can be imposed on an employee unless he is proved guilty of some misconduct mentioned in the Standing Orders. Misconducts which are most common in the Standing Orders are as under;

1. Disobedience or willful insubordination.
2. Theft, fraud or dishonesty in connection with employer's business or-property.
3. Wilful damage to or loss of employer's goods or property.
4. Taking or giving any bribes or illegal gratification.
5. Habitual absence without leave or unauthorized absence for more than a certain number of days.
6. Habitual late attendance.
7. Habitual breach of any law applicable to the establishment
8. Riotous or disorderly behaviour during working hours at the establishment or any act subversive of discipline.

9. Habitual negligence or neglect of work or frequent repetition of any act or omission for which fine may be imposed.

10. Striking work or inciting others to strike to contravention of any law.

11 . Adopting go-slow tactics.

12. Collecting or canvassing for the collection of funds for any trade union or canvassing membership during working hours within the company premises.

13. Failure to observe safety instruction, unauthorised removal, interference or damage to machinery guards, fencing and other safety devices installed in the factory.

14. Distributing or exhibiting inside the factory any newspapers, hand-bills, pamphlets, or posters without the previous sanction of the manager.

15. Refusal to work on another machine of the same types.

16. Holding general meeting inside the factory premise, without the previous sanction of the manager.

17. Disclosing to any unauthorised person any information in regard to the working or 'process' of the factory which comes into the possession of the workman during the course of his work.

18. Sleeping or dosing while on duty.

19. Refusal to accept a charge sheet, order or other communication.

20. Interfering or tampering with the records of the company.

21. Conviction by any court of law for any criminal offence, involving moral turpitude.

22. Smoking within the factory except in places where smoking is permitted.

In so far as the misconducts enumerated in the Standing Orders are concerned, the earlier view as that the misconducts enumerated therein were not exhausive. This view appears to have undergone a change as would be evident from the decision of the supreme court in Glaxo Ltd., Vs. Presided Officer, Meerut (1983 Lab. I.CP. 1909) wherein it was observed that misconducts neither defined nor enumerated in the Standing Orders would not expose a workman to a penalty and that no action is permissible in respect of such acts of omission or commission.

In view of this judgement Standing Orders should now specifically mention that the misconducts enumerated in them are only illustrative and not exhaustive. An omnibus clause such as "Any act subversive of discipline" should always be added in the list of misconducts.

Procedure for Taking Disciplinary Action

Whether or not there are Standing Orders the procedure for taking disciplinary action against workers should be based on the following principles of natural justice:

a. The person accused should know the nature of the accusation made;
b. The person accused should be given an opportunity to state his case; and
c. The management should act in good faith.

If the standing Orders of an organisation provided for the procedure the same should be strictly followed for the punishment may be held invalid if there is any deviation from the laid down procedure.

The management starts the procedure for taking disciplinary action against the worker by giving him a charge sheet. Charge sheet is a not a punishment in itself, it is merely of a charge that the worker is responsible for some misconduct and that the management wants to know what he has to say about it. It gives the worker an opportunity to explain his conduct. A charge sheet is, therefore, also called a "show cause notice". The following guidelines may be followed in framing the charges:

(i) Each charge must be very clear and precise. It should not be vague;
(ii) There should be a separate charge for each allegation.
(iii) There should be no multiplication of charges for the same allegation.
(iv) Charges must not relate to any matter which has already been decided upon.

On the question whether the proposed punishment should or should not be mentioned in the charge-sheet, there is divergence of opinion among various High Courts. Madras, Andhra, Calcutta, Punjab and Haryana High Courts hold the view that if the proposed punishment is mentioned in the charge-sheet then it amounts to prejuding the issues and the proceedings are vitiated. But, the Bombay, Rajasthan and Allahabad High Courts seem to hold the opposite view.

On receipt of reply to the charge-sheet three situations may arise:

i. The worker may admit the charge in an unqualified manner. If so, the employer can go ahead in awarding the punishment without getting the matter enquired further;

ii. The worker may not admit the charge and the charge merits only minor penalty. In this case also the employer can go ahead in awarding the punishment without holding further enquiry.

iii. The worker may not admit the charge and the charge merits major penalty. In this case the employer must hold enquiry to investigate into the charge against the worker. This enquiry is called domestic enquiry.

The accused person should be informed of the decision to hold the enquiry and appointment of enquiry officer. The person who holds a domestic enquiry is called an enquiry officer. For the purpose of such enquiry he is a judge. So it is necessary that he must be impartial and qualified to act in that capacity. An enquiry officer is disqualified on any of the following grounds;

a. if he is involved in the incident which led to the charge-sheet.
b. if he has personal knowledge of the incident or himself gives or collects evidence for the very enquiry conducted by him helps others in doing so.
c. If he himself has issued the charge-sheet.
d. If he is directly subordinate to the person accused.

Many Standing Orders have a provision permitting a charge-sheeted worker to be defended by a co-worker or by an official of the union. Non-participation in the enquiry by a charge-sheeted worker cannot stay the enquiry proceedings. The management may proceed with the enquiry even in his absence. Such an enquiry is called "**ex-parte enquiry** where, in the absence of the worker, the management leads its evidence and the enquiry officer records his findings on the basis of the evidence produced before him. The person who leads evidence from the management side is called the Presentation Officer.

On the basis of the conclusions arrived at by the Enquiry Officer, the management issues punishment orders. The report of the Enquiry Officer, it should be noted, is generally silent on the past service record of the accused because such record is not brought to the notice of the Enquiry Officer during the enquiry proceedings except in cases of habitual misconduct. The question, therefore, arises: "Should past record be considered by the management while issuing punishment orders?" There is no unanimity among High Court decisions on this point. The desirable course however, appears to consider such records before inflicting punishment. It would be still better if the past record is brought to the notice of the Enquiry Officer during enquiry proceedings so as to give an opportunity to the accused worker to make his submission regarding his past record also.

It should be noted that when a dispute is pending in conciliation, arbitration or adjudication proceedings the employer has no right to punish a workman for his misconduct which is connected with the pending dispute. When the misconduct of the employee not connected with the pending dispute (e.g. when he commits theft during the tendency of a dispute about bonus) the employer is free to award him any punishment other than dismissal or discharge. Dismissal or discharge of the employee can be made only after the employee has been paid wages for the month and an application has been made by the employer to the authority before which the proceeding is pending for approval of the action taken by him (Sec. 33 of the Industrial Disputes Act.)

Section 11-A of the Industrial Disputes Act, 1947 empowers a Labour Court, Tribunal or National Tribunal, as the case may be, to set aside the order of discharge or dismissal of an employee even if it is passed following a proper and valid enquiry by the employer if the Labour Court, Tribunal or National Tribunal is satisfied that the order is not justified. In other words, the section has the effect of abridging the rights of the employer in as much as it gives power to these courts to differ both on a finding of misconduct arrived at by an employer as well as the punishment imposed by him.

OFFENCES AND PENALTIES (Sec. 13)

This Section provides for the following penalties and procedure in case of offences committed-

(1) An employer who fails to submit draft standing orders or who modifies his standing orders otherwise than in accordance with Section 10 shall be punishable with fine which may extend to Rs. 5,000.

(2) In the case of continuing offence a further fine, which may extend to Rs. 2,000 for every day after the first during which the offence continues, shall be imposed.

(3) An employer who does any act in contravention of the standing orders finally certified under this Act for his industrial establishment shall be punishable with fine which may extend to Rs. 100. In the case of a continuing offence with a further fine which may extend to Rs. 25 for everyday after the first during which the offence continues.

(4) No prosecution for an offence punishable under this section shall be instituted except with the previous sanctions of the appropriate Government.

(5) No prosecution for an offence punishable under this Act for his industrial establishment shall be punishable with fine which may extend to Rs. 100. In the case of a continuing offence with a further fine which may extend to Rs. 25 for everyday after the first during which the offence continues.

(6) No prosecution for an offence punishable under this section shall be instituted except with the previous sanctions of the appropriate Government.

(7) No court inferior to that of a Metropolitan Magistrate or Judicial Magistrate of the second shall try and offence under this section.

PROCESS OF HOLDING DOMESTIC ENQUIRIES INDUSTRY

The first and primary step is to carry out a preliminary investigation before the employer holds a disciplinary in order to find out whether a prima facie case of misconduct is evident. Thus the enquiry should be the result of a preliminary investigation and should not be adopted merely as a matter of course.

After the preliminary investigation is carried out a prima facie case of misconduct is established, the following stages of disciplinary enquiry should be followed:

1. issue and service of a charge sheet calling upon the employee to submit an explanation.
2. consideration of the explanation.
3. giving notice of an enquiry into the charges in case of unsatisfactory explanation.
4. suspension without pay, pending enquiry (if needed),
5. enquiry into the charge :
   -deciding as to who should conduct
   -deciding as how to proceed
   -deciding about the order of examining witnesses

6. recording of finding by the enquiry officer,
7. punishment decisions.
8. communication of punishment,

Sample Charge Sheet

(General)

To

----

it has been reported against you that on ------------- at --------------- you (mention clear the act of misconduct alleged)

The acts as alleged above to have been committed by you amount to misconduct which, if proved, would warrant serious disciplinary action against you.

Accordingly, you are hereby required to show cause within -------------days of the receipt here of as to why you should not be dismissed or otherwise punished.

Should you fail to submit your explanation as required, it will be presumed that you have no explanation to offer and the matter will be disposed of without any further reference to you.

Since the charges levelled against you are of grave and serious nature, you are here by suspended pending further proceedings and final orders on the matter.

The receipt of this latter should be acknowledged.

Signature

Dated ---------------- (Employer/Authorised Person)

Notice for holding enquiry to the charge-sheeted worker .

To

Ref: Your explanation dated ---------------- in response to the charge-sheet dated ---------------

We are in receipt of your explanation dated --------------------in response to the charge-sheet dated------------------After careful consideration of your explanation, it has been found unsatisfactory and it is considered desirable and necessary to conduct an enquiry into the charges levelled against you. You are hereby informed that the enquiry will be conducted-by Shri --------------who has been engaged for the purpose. He will hold the enquiry at A.M./P.M. od ----------------in the factory premises. You are therefore, informed to attend and participate in the enquiry proceedings with all the necessary documents, evidence and witnesses that you may seek to rely upon in your defence. You are further intimated that if you fail to attend the enquiry proceedings on the appointed date and time, the enquiry will be proceeded ex. parte.

(Signature of
competent authority)

Date ....

CODE OF DISCIPL1NE

Discipline is necessary for the well-ordered conduct of any activity. In industry, it is all the more essential because the prosperity, not only of then worker but of the entire nation depends on the sustained growth of industrial development. But discipline in industry can not be imposed, it must develop from within. It has also to be reformative and punitive.

Discipline is basically founded on leadership, loyalty and dignity of labour. The socialistic pattern of society requires that a worker's claim to improve his economic and social status be recognized.

The worker in turn has to realize his responsibilities. It is in this context that the Second Five Year Plan recommended that 'the whole issue of industrial discipline in its various aspects should be examined and the parties should see that tendencies to indiscipline are sternly discountenanced".

It is in pursuance of the above recommendation that the question of discipline in industry was discussed by the Indian Labour Conference, at its 15th session held in July 1957. The Union Labour Minister appealed to the Conference to take counsel jointly and evolve a 'code of behaviour' in the enforcement of which employers' and worker's organisations should give unreserved co-operation. The Conference formulated the following principles to ensure discipline in Industry: (1) There should be no lockout or strike without notice. (2) No unilateral action should be taken in connectics with any industrial matter. (3) Those should be on recourse to 'go-slow' tactics. (4) No deliberate damage should be caused to plant or property. (5) Acts of violence, intimidation, coercion or instigation should not be resorted to. (6) The existing machinery for settlement of disputes should be utilized. (7) Awards and agreements should be speedily implemented. (8) Any action which disturbs cordial industrial relations should be avoided. The Conference also suggested a tripartite committee should work out the details of a Code which should incorporate these principles.

A tripartite sub-committee was accordingly set up which held its first meeting in August 1957. The draft of a code evolved by it was adopted with some modifications by the Standing Labour Committee at its 16th Session in October 1957. To deal with the day-to-day grievances of workers which often led to acts of indiscipline the Committee suggested that the sub-committee should evolve a suitable grievance procedure. This was done by the sub-committee at its meeting in March 1958.

At the 16th session of the Indian Labour Conference held in May 1958 the Central Employers' and Workers' Organizations unanimously adopted the Code on behalf of their members. The Code came into force from 1st June 1958.

Code of Discipline in Industry

1. To maintain discipline in industry (both in public and private sectors) there has to be: (i) a just recognition by employers and workers of the rights and responsibilities of either party, as defined by the laws and agreements including bipartite and tripartite agreements arrived at all levels from time to time; and (ii) a proper and willing discharge by either party of its obligations consequent on such recognition.

   The Central and State Governments, on their part will arrange to examine and set right any shortcomings in the machinery they constitute for the administration of labour laws. To ensure better discipline in industry.

2. Management and Union(s) Agree:

   (i) that no unilateral action should be taken in connection with any industrial matter and that disputes should be settled at appropriate levels.

   (ii) that the existing machinery for settlement of disputes should be utilised with the utmost expedition,

   (ii) that there should be no strike or lockout without notice.

   (iv) that affirming their faith in democratic principles, they bind themselves to settle all future differences, disputes and grievances by mutual negotiation, conciliation and voluntary arbitration.

   (v) that neither part will have recourse to: (a) coercion; (b)intimidation; (c) victimisation, or go-slow.

   (vi) that they will avoid; (a) litigation; (b) sit down and stay in strikes, and (c) lockouts.

   (vi) they will promote constructive cooperation between their representatives at all levels and as between workers themselves and abide by the spirit of agreements mutually entered into.

(vii) that they will establish upon a mutually agreed basis, a grievance procedure which will ensure a speedy and full investigation leading to settlement.

(ix) that they will abide by various stages in the grievance procedure and take no arbitrary action which would by pass this procedure, and

(x) that they will educate the management personnel and workers regarding their obligations to each other.

3. Management Agree:

(i) not to increase workloads unless agreed upon or settled otherwise,

(ii) not to support or encourage any unfair labour practice, such as: (a) interference with the right of employees to control or continue union members:(p) discrimination, restrain or coercion against any employee because of recognised activity of trade unions; and (c) victimisation of any employee and abuse of authority in any form.

(iii) to take prompt action for: (a) settlement of grievances; and (b) implementation of settlement, awards, decisions.

(iv) to display in conspicuous place in the undertaking the provisions of this Code in local languages.

(iv) to distinguish between actions justifying immediate discharge and those where discharge must be preceded by a warning, reprimand, suspension or some other form of disciplinary action and to arrange that all such disciplinary action should be subject to an appeal through normal grievance procedure,

(vi to take appropriate disciplinary action against its officers and members in cases whose enquiries reveal that they were responsible for precipitate action by workers leading to indiscipline and

(vii) to recognise the union in accordance with criteria (evolved at the 16th session of Indian Labour Conference held in May 1958).

4. Union(s) Agree :

(i) not to engage in any form of physical duress;

(ii) not to permit demonstrations which are not peaceful and not to permit rowdyism in demonstration,

(iii) that their members will not engage or cause other employees to engage in any union activity during working hours, unless as provided for by law, agreement or practice.

(iv) to discharge unfair labour practices, such as: (a) negligence of duty; (b) careless operation; (c) damage to property; (d) interference with or disturbance to normal work; and (e) insubordination.

(v) to take prompt action to implement awards agreements, settlements and decisions.

(vi) to display in conspicuous places in the union offices, the provisions of the Code in the local languages, and

(vii) to express disapproval and to take appropriate action against office bearers and members for indulging in action against the spirit of this Code.

Code of Discipline (1958)

While the legislation itself has provided may substantive benefits to the industrial workers the delays in labour judiciary have reduced the effectiveness of these benefits. As such, all concerned were thinking in terms of a voluntary scheme for the improvement of industrial discipline and pace. The Code of Discipline is the outcome of such a long standing urge. It is a set of self-imposed and mutually-agreed voluntary principles of discipline and relations between the managements and workers in the industry. It was evolved in the Indian Labour Conference in 1958. It was ratified by the national trade union organizations and also by the principal organizations of the employers. Accordingly, employers and workers voluntarily agreed to maintain and create an atmosphere of mutual trust and cooperation in the factory and to settle all disputes and grievances by mutual negotiation, conciliation and voluntary arbitration and avoid resort to direct action. Code of Discipline lays down that :

a. Strikes and lock-outs can not be declared without proper notice;

b. the parties should not take any action without consulting each other;

c. there should be no go-slow tactics or any resort to deliberate damage to plant or property or resort to acts of violence, intimidation, coercion, etc;

d. the existing machinery for the settlement of disputes should be followed, and the awards and agreements should be implemented speedily; and

e. both the parties should attempt to avoid any action which may disturb industrial peace in the factory.

In order to main discipline in the industry, the Code which stands for a set of rules of conduct, lays down that there must be just recognition by employers and workers of the other party's rights and responsibilities. The code, thus represents a new approach to an old problem. The striking feature of the Code is that emphasis has been put on mutual agreement rather than on compulsory arbitration or adjudication. According to the Code, representatives of management and unions should agree to encourage constructive co-operation between their representatives at all levels and as between workers themselves. There should be no strikes and lockouts without notice and neither party should have recourse to correction, intimidation, victimization or go-slow as also litigation and sit-down and stay-in strikes.

The Code envisages the establishment of a grievance procedure upon a mutually agreed basis ensure speedy settlement of grievances. No arbitrary action may be taken to by-pass this procedure. The managements agree not to increase work-loads without prior settlement, no to support or encourage any unfair practice, and to take prompt action for (a) settlement of grievance, and (b) implementation of settlements, awards, decisions and orders. They also agree to take appropriate disciplinary action against any of their supervisory staff responsible for precipitating action by workers leading to indiscipline. The unions agree, on their part, not to engage in any form of physical duress or demonstration which is not peaceful, to eschew unfair labour practices and to take prompt action to implement agreements and awards. They agree to disallow any action on the part of any union official which is contrary to the spirit of the Code. The management of each undertaking and the union concerned are to display in conspicuous places in the undertaking and in the union offices a copy of the Code in the local languages.

The Code of Discipline requires employers and workers to utilize the existing machinery for the settlements of dispute and avoid direct action. The implementation of organizations, at the Central and in the States, assist in settling disputes. The central organizations of employers and workers except the AITUC, have also set up committees for dissuading the judgments of industrial of industrial tribunals or labour courts in keeping with the letter and spirit of the Code. A procedure for screening cases, before appeal are filed by the public sector undertakings, was evolved in 1964.

The Code applies both to the public and private sectors. As Indicated, the Code lay's down specific obligations for the managements and the workers with the object of promoting constructive co-operation between their representatives at all levels, avoiding work-stoppages and litigation, securing settlement of disputes and grievances by mutual negotiations, conciliation and voluntary arbitration, facilitating the free growth of trade unions and eliminating all forms of coercion, intimidation and violence in industrial relations. In the public sector the Code now applies to all industrial undertakings within the Central sphere except Defence Undertakings and Railways. The Railways and Defence Undertakings have agreed to adopt the Code after making certain adjustments to it to suit their special requirements. The State Governments' Administration are also making the applicable to their departmental undertakings. A large number of independent employers and unions throughout the country have also come within the pale of the Code and have agreed to abide by the norms laid down for the maintenance of discipline in industry. So far, the code has been accepted apart from all the central employers' and workers' organizations, by 180 employers and 166 trade unions. which are not members of any of the central employers' and workers' organizations.

In the early years it was considered worthwhile giving the code a serious trial. Its working came up for discussion in every tripartite forum. It soon became an instrument to which credit or discredit was given for industrial peace or conflict and was perhaps conveniently used by employers and workers to point out the shortcomings of the other side.

It is, however, inappropriate to measure the success or otherwise of the Code merely reference to industrial peace. Peace or conflict is a complex of various factors. To state only one of them would not be enough in judging the operation of the code in its proper perspective. To recognise the code for favorable trends in industrial relations or to condemn it as unworkable when the labour situation is difficult is unwarranted. Factors like mutual consultation at different levels, development of sanctions though limited on their operation against members or affiliates within the central organizations, occasional recognition granted to unions, and even less occasional withdrawal of cases in the law courts which irked one side or other, were exercising a wholesome influence on industrial peace. At the same time inflationary trends, the state of unemployment and other irritations in the economic system, as indeed the unfavorable attitude of some employers' and workers' organizations, had an adverse effect on industrial harmony particularly in the last few years. The latter indicate a measure of failure of all parties to adhere to the spirit of the code.

It cannot be denied that in the early years the Code focused the attention of the parties prominently on their obligations under the various labour laws and enjoined on them a stricter observance of these and other obligations connected with industrial work. The fact that the parties came together and accepted openly the need for stricter adherence to certain basic propositions was itself an achievement. When breaches of the Code were enquired into and openly discussed in tripartite Committees or reported upon policy, the very process of discussing produced a restraining and sobering effect on the parties, and instances of gross violations of laws and repudiation of responsibilities decline. But, as time passed on, the attitude to the code changed and now no special attention is being paid to it. The question of reviving the Code has thus become vital. Some important factors responsible for the growing indifference to the Code and its limited use at present are: (i) the absence of a genuine desire for, and limited support to, self-imposed voluntary restraints on the part of employers' and workers' organizations; (ii) the worsening economic situation which eroded the real wage of workers, (iii) the inability of some employers to implement their obligations, (iv) a disarray among labour representatives due to rivalries (v) conflict between the code and the Law, above all (vi) the state of discipline in the body politic.

As regards the future of the Code of Discipline in India, the general view is mostly in favour of giving a legal form to its important provisions regarding recognition of unions, grievance procedure, unfair labour practices and the like. In view of the National Labour Commission, while that part of the Code which enjoins stricter observance of obligations and responsibilities under the various labour laws may be left to the normal process of implementation and enforcement by the labour administration machinery, some others as noted below need to be formalized under law: (a) recognition of a union as a bargaining agent. (b) Setting up of grievance machinery in an undertaking. (c) Prohibition of strike or lockout without notice. (d) Penalties for unfair labour practices and (e) provision of voluntary arbitration. With the removal of provisions from the Code to give them legal form, the Code will have no useful function to perform.

Disciplinary Procedure

At the level of the understanding the legal frame work as laid down under the Industrial Employment {standing orders) Act, 1946 (Annexure II) and the Industrial Disputes Act, 1947 provides for :

(i) a procedure to be followed in investigating cases which lead to disciplinary action and

(ii) a substantive restraint which protects the union officials. In most of the establishments there are set and accepted procedures for the purposes of punishments upto suspension for a specified period and the procedure relating to them.it is only When punishment for all misconduct leads to a discharge or discharge or dismissal if difficulties arise.

The procedure followed in discharge or dismissal cases is as follows: ,

(i) the workman concerned is given an opportunity to explain the charges against him.

(ii) the order given to him elaborately states the charges against him.

(iii) the worker is given an opportunity to explain his conduct in an enquiry to be conducted by the employer;

(iv) the enquiry officer is an appointee of the employer; he can either be an experienced subordinate in the establishment or an outsider,

(v) the punishment order is finally approved by the employer or manager who, before making his decision, takes into consideration the gravity of the misconduct and the worker's previous record, and

(vi) if the charges are proved to be correct, the workman not be paid wages during suspension period

Section 33 of I.D. Act.P9S7 in regard to matters conducted with disputes requires maintenance of status quo by the employer and restrains him from discharging or punishing a worker by dismissal or otherwise, during dependency of conciliation or adjudication proceedings in an industrial dispute, save with the permission of the authority holding such proceedings. In matter unconnected with the dispute, the employer's freedom to act is not curtailed, except that he is required to pay one month's wages to a workman before discharge or dismissal and seek the approval of his action by the concerned authority. While section 2(k) of the I.E. Act gives jurisdiction to labour courts and tribunal disputes section 2A of the I.D. Act includes individual disputes over discharge, dismissal or retrenchment within the meaning of the term “industrial dispute" even if the case of the individual retrenched is not taken up by other workmen or a union. To safeguard the interests of workmen against victimization the tribunals have gone into the reasons for discharge victimization the tribunals have gone into the reasons for discharge even when the procedure laid down under the Standing Orders was followed. Normally, tribunals do not sit in appeal over management's decision, but where want of bonafides victimization or unfair labour practiced,. basic error of facts or violation of a principle of natural justice, or a completely baseless or perverse finding on the material available is established, tribunals have intervened to order reinstatement or award monetary compensation in lieu of reinstatement. Employees for the sake of discipline have instead on compensational and workers on reinstatement. A recent Supreme Court ruling, that the tribunal does not have jurisdiction to substitute its own judgement for that of management, led to a Bill -The Industrial Disputes (Amendment) Bill, 1966 - which provides that labour courts the tribunals should have the power to set aside the order of discharges or dismissal and direct reinstatement of the workmen or give such other relief including milder punishment in lien of discharge or dismissal or considered proper by it.

To make the procedure more effective, the National Commission has suggested the following provisions in this regard:

a. In the domestic enquiry the aggrieved worker should have the right to be represented by an executive of the recognized union or a workman of his choice.

b. Record of the domestic enquiry should be made in a language understood by the aggrieved employee or his union. A copy of the record should be supplied to him.

c. The domestic enquiry should be completed within a prescribed period which should be necessarily, sported.

d. Appeal against the employers order of dismissal should be filed within prescribed period.

e. The worker should be entitled to a subsistence allowance during the period of suspension, as per agreement in the tripartite.

Disciplinary Action and Its Desirability

The state of industrial relations in a country is also reflected in the discipline and morale of the labour force. In a factory or industrial establishment, discipline implies a certain standard of conduct and behaviour while at work. It means observance of the factory rules and acknowledgement of the authority of the management. Maintenance of discipline in industrial work ensures the most fruitful and economical use of the resources of any establishment. On the contrary, lack of discipline may result in slackness or carelessness in work, waste of materials and equipment, spoilage of work, was more fatigue and in consequence, higher rate of industrial accidents. When indiscipline takes the form of insubordination disloyalty and non-cooperation, it is much more harmful. Such an atmosphere may be caused by wrong leadership as well as the conditions in which the workers are born, brought up and live. The insecurity of service leading to discontent or frustration, insufficient or indirect contact between the employer and the employees and short comings in the management's policies and attitudes towards labour may be some of the other factors responsible for indiscipline among workmen. Maintenance of discipline is, therefore, a necessary condition for the promotion of industrial peace.

Discipline is said to be good when employees willingly follow the order of their superiors and the rules of the factory or the establishment where they work. It is said to be bad when employees either follow rules unwillingly or actually disobey regulation A common complaint about employees is that they do not always do what they are told. There may be a number of possible explanations for this. The employees may be ignorant, they may have little sense of responsibility or they may purposely and with malice disobey or waste property. Poor discipline suggests the need for corrective action. The action to taken in this connection is known as 'disciplinary action'. It involves warnings, suggestions and other penalties.

Disciplinary action implies penalties which have undesirable implications. Management must be fully aware of when, how against whom and why disciplinary action should be taken in order that the action, however unpleasant; may gain its purposes with a minimum loss of employee goodwill. Even when an employee fully deserves punishment, it is invariably accepted with some amount of ill-feeling.

Although it is not always possible or practical to follow a set routine in taking disciplinary action. Nevertheless, there are certain steps which attract attention at one time or another and include (i) accurate statement of disciplinary problem viz., what is exactly the nature of the violation, under what conditions it occurs and individuals involved etc. (ii) collection of full information about the ease, (iii) selection of tentative penalties to be imposed (iv) choice of alternative penalties, (v) application of the penalty and (iv) follow-up of the case.

Disciplinary action is essential to an industrial establishment for protecting its own interests and those of the community. In order that the establishment be profitable and efficient, it must amount other things, have employees who do not excessively disregard rules, disobey orders or work carelessly. The personnel department of the establishment can therefore do much good by training executives not to shrink from taking disciplinary action is being taken, an employee may dislike being criticised reprimanded or discharged but it may be beneficial over a period of time. However, its should be good for the establishment both now and in the repetition of deviant behaviour. Hence, it is often suggested that penalties should repetition of deviant behaviour. Hence, its plans which, show the wrong-doers why the transgressions were and why good behaviour is better for the worker and the establishment where he works.

Model Questions

1. Explain about the disciplinary procedure.
2. Write a short note on code of discipline
3. What is the need for disciplinary action. Point out its desirability.
4. Describe the various .kinds of punishment which are inflicted on a worker for his conduct?
5. Describe the Indian Code of Discipline in Industry.
6. What is the importance of Standing Orders for an industrial establishment.
7. What are the essentials of a good disciplinary system?
8. Can the Standing Order be modified? Explain answers.

Model Question Paper I
M.A., LABOUR STUDIES II YEAR
WAGE AND EMPLOYMENT ADMINISTRATION

Time: 3 hours **Max: 100 marks**

Answer any FIVE question from the following two parts.
Choosing not less than Two from each part
All questions carry equal marks

Part I

1. Discuss in detail the classical and neo classical theories of wages.

2. Explain the concepts of Minimum, Fair and Living Wages. Bring out the efforts and achievements of Indian towards Minimum Wage Legislation.

3. What is Job evaluation? Explain the procedure followed in job Evaluation.

4. Discuss the role of Trade Union in the determination of wages.

5. Write short-notes on any Two of the following :
    - a) Wage Policy in India
    - b) Nominal and real wages
    - c) Bonus
    - e) Wage Differentials

Part II

6. Discuss the meaning, definition and scope of manpower planning.

7. What are the steps followed in employee selection.

8. What is the importance of Standing Orders for an industrial establishment? Is certification of Standing Order's essential? What is the procedure for certification?

9. What are the essentials of a good disciplinary system? What is 'HOT STOVE RULE'?

10. Write short notes on any TWO of the following :
    - a. Job Description
    - b. New Vs. Old Blood
    - c. Square peg in a round hole
    - d. Model Standing Order e. Promotion. :

Model Question Paper II
M.A., LABOUR STUDIES II YEAR
WAGE AND EMPLOYMENT ADMINISTRATION

Time : 3hours **Max: 100 marks**

Answer any FIVE question from the following two parts.
Choosing not less than Two from each part
All questions carry equal marks

Part I

1. What are the important factors for determining wage structure of an organisation?

2. Explain in detail the meaning and significance of Job clusters and wage contours.

3. What-do you mean by Dearness Allowance. Explain the different methods of computing Dearness Allowance pointing out their merits and demerits.

4. Determine the different principles of Profit Sharing. What are the profitsharing policies adopted in Indian Industries?

5. Write short notes on any two of the following :
   a) Wage Board
   b) Equal pay for equal work
   c) Discharge and dismissal
   d) Fringe Benefits
   e) Over-time allowance

Part II.

6. Explain the different strategies of manpower planning.

7. Describe the salient features of Domestic enquiry. Can aggieved employee seek assistance of an outside advocate to plead the case with the Employer on behalf of the employee?

8. What are objects of manpower selection? Do you agree the selection process starts with job analysis? Discuss.

9. What are the terms and conditions to be followed in employments?

10. Write short notes on any TWO of the following:
    a. Transfer b. Suspension c. Qualities of Interviewer d. Job study
    e. Principles of Natural Justice.